

**FISCAL YEAR 2010
MONITORING REPORT ON THE
VOCATIONAL REHABILITATION AND
INDEPENDENT LIVING PROGRAMS
IN THE
STATE OF COLORADO**



**U.S. DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION AND
REHABILITATIVE SERVICES
REHABILITATION SERVICES ADMINISTRATION**

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Executive Summary

During fiscal year (FY) 2010, the Rehabilitation Services Administration (RSA) reviewed the performance of the following programs authorized by the *Rehabilitation Act of 1973*, as amended (the Act) in the state of Colorado:

- the vocational rehabilitation (VR) program, established under Title I;
- the supported employment (SE) program, established under Title VI, part B;
- the independent living (IL) program, authorized under Title VII, part B; and
- the independent living services program for older individuals who are blind (OIB), established under Title VII, Chapter 2.

Colorado Administration of the VR, SE, IL and OIB Programs

All VR, SE, and IL programs funded by RSA are administered by the Colorado Division of Vocational Rehabilitation (DVR), which serves as the designated state unit (DSU) in accordance with the organizational requirements found in the Act and program regulations. DVR is located in the Colorado Department of Human Services (CDHS), which serves as the designated state agency (DSA). The administrative offices for both CDHS and DVR are located in Denver.

Ten centers for independent living (CIL) are located in Colorado. DVR administers a state IL fund, comprised of both the state's allotment under Title VII, Part B, of the Act (\$282,983) and a state general appropriation (\$1,457,604). DVR administers these funds together and refers to the program as the Colorado Independent Living Core Services (CILCS) fund. Each CIL receives a portion of the state general appropriation.

DVR administers the OIB program through seven contracts on a three-year cycle. In FY 2009, DVR received \$453,938 under Title VII, Chapter 2, to administer and provide services through the program.

DVR Performance over the Past Five Years

Based on data provided by DVR through various RSA reporting instruments, the agency's employment rate increased from 55.20 percent to 57.14 percent during the period beginning in FY 2004 and ending in FY 2008. Over this same period, the number of applicants for VR services increased from 8,620 to 9,718, the number of individuals who received services under an individualized plan for employment increased from 2,801 to 4,448, and the number of individuals the agency assisted to achieve employment increased from 1,625 to 2,617. From FY 2004 through FY 2008, the average hourly earnings of those individuals who achieved employment increased from \$10.17 to \$11.38.

Additionally during this period, of those individuals who achieved an employment outcome, the number who achieved a supported employment outcome increased from 214 to 291. The mean

hourly earnings for these individuals remained relatively steady, decreasing only slightly from \$8.30 to \$8.27.

Either directly, or through grants or contracts with CILs and other service providers, the number of individuals served through the DVR IL Program increased from 1,473 in FY 2007 to 1,540 in FY 2009. At the same time, the number of individuals served through the agency's OIB program increased from 773 in FY 2008 to 1,020 in FY 2009.

Observations of the Agency and Stakeholders

Through the course of the review, agency personnel and representatives of stakeholders, such as the State Rehabilitation Council (SRC), Statewide Independent Living Council (SILC) and the Client Assistance Program, shared information concerning the administration and performance of the DVR VR, SE, IL and OIB programs. During the review, they observed that:

- the SRC desires a closer working relationship with DVR, particularly with respect to the development and implementation of agency goals and priorities and new VR service policies; and
- the level of funding for the VR program is uncertain in the face of significant state budget limitations, causing the agency to limit the provision of services through changes in the implementation of its order of selection.

Strengths and Challenges:

Based on the observations from the agency and its stakeholders and other information gathered through the review process, RSA concluded that DVR exhibited a variety of strengths that enhanced, and experienced a number of challenges that inhibited its ability to improve, the performance of its VR, SE, IL and OIB programs.

The agency's strengths include the strong collaborative relationships that have been developed among its personnel. DVR utilizes an extensive network of ad hoc and standing committees that facilitate effective communication between managers and staff. Among these is the employee council, established in FY 2007 as a standing committee through which field staff have an opportunity to directly communicate with the DVR director. All field staff have numerous opportunities to participate in either the employee council, or other ad hoc committees that focus on particular issues or program specializations. As a result, these committees foster a highly-connected VR system that ensures consistency of the delivery of services across the state, and allows for effective communication of agency goals and procedures at all levels of the agency. Discussions between RSA and VR staff in the field revealed that morale is high despite a great deal of uncertainty regarding state employment due to current austerity measures.

In addition, DVR has developed effective partnerships with both public and private organizations. A high level of cooperation exists between DVR and the school districts in the provision of services to transition-age youths, resulting in consistently strong performance of the agency in terms of the number of outcomes achieved by transition-age individuals. DVR and the Department of Education coordinate training activities for school staff, and collaborate on a wide

range of projects designed to create a seamless process for youths transitioning from school to work or postsecondary education. This highly collaborative relationship allowed DVR to retain the cooperation of the school districts during the implementation of an order of selection that resulted in the closure of all priority categories in FYs 2009 and 2010. Most field staff reported that there was no significant decrease in referrals from the school systems, even though education personnel were aware that many transition-age youths would be assigned to a waiting list for services following the determination of eligibility. Data collected by RSA confirms that referrals remained relatively steady despite the implementation of the order of selection.

The business outreach specialist (BOS) unit, established in 2007, provides support to VR counselors by actively developing employment opportunities among employers in the community. The BOS's play a valuable role in the VR process as they develop resources, provide employer training services, and provide job development and placement support for VR consumers. Consequently, DVR has reduced its purchase of job development and placement services from community rehabilitation programs and counselors have more time to devote to the provision of counseling and guidance directly to consumers.

DVR and the agencies for Developmental Disabilities and Mental Health are co-located in the CDHS, resulting in close collaboration across the three agencies. The primary nexus of collaboration is the community center board (CCB), which exist across the state and are grounded in local communities. The CCBs coordinate services to individuals with developmental disabilities. This collaboration facilitates the identification of extended services in support of individuals seeking supported employment. Data show that DVR performs well compared to its peers with respect to the achievement of competitive SE outcomes.

The agency's IL Program Coordinator is actively engaged with Part B contractors, OIB contractors and the SILC. This involvement provides DVR with a thorough understanding of the IL community and the differing points of view among the various organizations.

Finally, the fiscal administration of DVR programs is well coordinated and integrated among relevant offices within CDHS. The Office of Budget Services (OBS) prepares, coordinates, and monitors CDHS operating and capital construction budgets. OBS is the department's primary contact with the Office of State Planning and Budgeting (OSPB) and the Joint Budget Committee (JBC). CDHS budget analysts coordinate their activities closely with DVR, developing and monitoring program budgets with agency officials and personnel and informing the agency of all decisions, both departmental and legislative, related to these budgets.

DVR staff indicated that they experience challenges when providing services to the peripatetic population in Colorado. Many individuals move to Colorado as part of their military service, or that of a family member, and as a result, often move away or are deployed before completing their vocational plan. In rural areas of the state, individuals often work for the tourism industry, or as agricultural workers, two highly mobile and transient groups. Data on rates of attrition support this assertion by the agency.

DVR has faced difficulties in planning for the expansion of the IL network in a state with both significant urban and very rural areas. Further complicating this planning has been the identification of unserved areas and changing demographics. These difficulties were highlighted

in the development of plans for the use of funds allotted under the *American Recovery and Reinvestment Act* for the purpose of the IL program.

DVR also faces challenges in relationship to methods used to obtaining non-federal match and implementation of third-party cooperative arrangements under the VR program. Through this report, RSA has identified the steps necessary to maintain the viability of these third-party cooperative arrangements and to bring them into compliance with federal regulations.

Acknowledgements

RSA wishes to express appreciation to the representatives of the CDHS and DVR, SRC, SILC and the stakeholders who assisted the RSA monitoring team in the review of DVR.

INTRODUCTION AND RSA REVIEW PROCESS

Introduction

Section 107 of the *Rehabilitation Act of 1973*, as amended (Act), requires the commissioner of the Rehabilitation Services Administration (RSA) to conduct annual reviews and periodic on-site monitoring of programs authorized under Title I of the Act to determine whether a state vocational rehabilitation (VR) agency is complying substantially with the provisions of its State Plan under section 101 of the Act and with the evaluation standards and performance indicators established under section 106. In addition, the commissioner must assess the degree to which VR agencies are complying with the assurances made in the state plan Supplement for Supported Employment (SE) Services under Title VI, part B, of the Act and the independent living (IL) programs offered under Title VII of the Act are substantially complying with their respective state plan assurances and program requirements.

To fulfill its monitoring responsibilities, RSA:

- reviews the state agency's performance in assisting eligible individuals with disabilities to achieve high-quality employment and independent living outcomes;
- identifies strengths and challenges related to the agency's performance, areas of consistently high or improved performance and those areas of performance in need of improvement;
- recommends strategies to improve performance;
- requires corrective actions in response to compliance findings; and
- provides technical assistance to the state agency to enable it to enhance its performance, meet its goals and fulfill its state plan assurances.

Review Process

Pursuant to the Act, RSA reviewed the performance of the following programs administered by the Colorado Division of Vocational Rehabilitation (DVR):

- the VR program, established under Title I;
- the SE program, established under Title VI, part B;
- the IL program authorized under Title VII, part B; and
- the Independent Living Services program for Older Individuals who are Blind (OIB), established under Title VII, Chapter 2.

Information Gathering and Review Process Activities

During FY 2010, RSA began its review of DVR by analyzing information from a variety of sources, including but not limited to, RSA's various data collections, DVR's VR and IL state plans and the agency's State Rehabilitation Council (SRC) Annual Report. After completing its internal review, the RSA review team:

- engaged in numerous teleconferences and other information gathering activities with representatives of DVR, the SRC, Statewide Independent Living Council (SILC), Client Assistance Program and other stakeholders to gain a greater understanding of the agency's strengths and challenges related to the administration and performance of the VR, SE, IL and OIB programs; and
- conducted an on-site monitoring visit from November 2 through 10, 2009, during which it met with representatives of the Department of Human Services, DVR, the SRC, SILC and other stakeholders to further gather and analyze information and to provide technical assistance in areas already identified by the review team and DVR.

Data Used During the Review

RSA's review began in the fall of 2009, and ended in the summer of 2010. For the purpose of this review, RSA notes that its data collections are finalized and available at different times throughout the year. Consequently, the data collections for the VR and SE programs for the fiscal year that ended immediately preceding that in which the review began (i.e., FY 2009) were not yet available when the review process began. Therefore, this report regarding the VR and SE programs relies primarily on those data collections available for a completed fiscal year prior to the beginning of the review (i.e., FY 2008) as the sources of data describing the performance of DVR. However, when FY 2009 data became available toward the end of the review period, and if these data signaled a significantly different level of performance than the previous five year trend, RSA included the FY 2009 data in the report. FY 2009 data were available during the review of the IL and OIB programs and were used to describe the performance of DVR.

Results of Review Activities

At the conclusion of all monitoring activities, the RSA review team:

- identified promising practices;
- identified performance areas for improvement and recommended that DVR undertake specific actions to improve its performance;
- identified compliance findings and required DVR to take corrective action; and
- in collaboration with DVR determined whether RSA would provide technical assistance to improve the agency's performance or correct compliance findings.

Review Team Participants

Members of RSA's Colorado review team included representatives from each of the five functional units within the State Monitoring and Program Improvement Division. The team included the following individuals: Brian Miller, Jessica Smith and Carol Dobak (Vocational Rehabilitation Program Unit); Sean Barrett (Independent Living unit); Fred Isbister (Technical Assistance Unit); David Steele (Fiscal Unit); and Steven Zwillinger (Data Collection and Analysis Unit).

CHAPTER 1: DVR VOCATIONAL REHABILITATION AND SUPPORTED EMPLOYMENT PROGRAMS

VR and SE Program Systems

The following sections of this chapter describe the manner in which DVR administers and operates the VR and SE programs through a variety of functions or systems, including service delivery, personnel, case and data management, quality assurance and planning.

Service Delivery

DVR operates 24 field offices and 11 satellite offices throughout the state, including a Denver metro office. Eight of the DVR field offices are co-located in one-stop employment centers. The field offices are organized into three regions, each of which is overseen by a regional supervisor. Some of the field office supervisors are responsible for more than one office, particularly in the rural and more mountainous areas of the state.

DVR identifies nearly 5,000 entities in the state as vendors providing direct VR and SE services, most of which are small operations with one or two staff that provide specialized services in their local communities, rather than statewide. DVR purchases a variety of services from its vendors, including vocational assessments, job development and placement and supported employment services.

Order of Selection

DVR first established an order of selection in March 1993, which included six priority categories of service: individuals determined to be most significantly disabled, those found to be significantly disabled and, all other eligible individuals. Under each of the above categories, DVR also recognized a priority category for those injured in the line of duty, thus constituting the six categories. Since the initial implementation of the order, DVR closed categories of service three times, most recently on October 17, 2008.

Beginning October 17, 2008, DVR closed all priority categories due to severely limited fiscal and human resources. In April, 2009 (FY 2010), DVR moved 666 individuals with the most significant disabilities from the waiting list into active status. As of June 30, 2009, DVR reported the following with respect to the number of individuals on the waiting list: most significantly disabled 1,621; significantly disabled, 1,095; and all other eligible individuals, 121, for a total of 2,837.

According to the FY 2010 VR State Plan, DVR intended to use approximately \$2.8 million in funds received pursuant to the American Reinvestment and Recovery Act (ARRA) to serve individuals on the waiting list in accordance with the order of priority and date of application. DVR closed all priority categories at the beginning of FY 2010. In February 2010, DVR removed 3,300 individuals with the most significant disabilities from the waiting list using ARRA funds. By March, the agency eliminated the waiting list for individuals with the most

significant disabilities and had reduced the waiting list for individuals with significant disabilities by 350 persons. As of June 2010, all priority categories were open and no individuals remained on the waiting list. By the time that all priority categories were opened, DVR had successfully moved 6,452 individuals from the waiting list into active status. DVR accomplished this by utilizing ARRA funds and working through the state personnel system to fill its vacant VR counselor positions.

Purchased Services

In recent years, partly in response to the need to maximize limited fiscal resources, DVR actively moved to expand its capacity to provide services, such as job placement and development, directly to its consumers, rather than purchasing these services from service vendors. For some of the larger providers, particularly in the Denver metro area, this resulted in a significant decline in the range and scope of services purchased by DVR. However, despite these efforts, 51 percent of the individuals who were served by DVR received job placement services in FY 2008, compared to an average of 35 percent for all combined VR agencies in that year.

Between FY 2004 and FY 2008, purchased services as a percent of DVR's overall expenditures grew from 53.5 percent to 61.6 percent, or \$18 million to \$34 million. This growth in purchased services reflects an increasing dependence on the use of community providers for services such as job search and job placement services. As noted above, DVR is actively seeking to reduce its reliance on outside providers for these services in favor of developing internal resources for the delivery of these services.

Other frequently purchased services in FY 2008 included:

- diagnosis and treatment of mental and physical impairments, 41.3 percent, an increase of 3.3 percent, or, from \$1.6 to \$6 million. As a percent, this is equivalent to the national average of 41 percent;
- transportation at 32 percent, an increase of six percent or \$404,000 to \$986,000 from FY 2004 to FY 2008. As a percent, this is only two percent higher than the national average for combined VR agencies;
- job search assistance, at 44 percent, a five percent increase from FY 2004, and 14 percent higher than the national average;
- maintenance, at 31.3 percent, an 11.7 percent, or \$211,000 to \$513,000 increase. This is significantly higher than the national average of 14.8 percent;
- miscellaneous services at 33.4 percent, an increase of only 1.6 percent, but significantly higher than the national average of 12.4 percent.

See Appendix D for the monitoring tables describing services provided and purchased.

Supported Employment Services

DVR provides supported employment (SE) services to individuals with developmental disabilities through fee-for-service contracts with approximately 20 community center boards throughout Colorado. In addition, DVR engages in third-party cooperative arrangements with

mental health centers to provide SE services to individuals with mental illness. Through these collaborative relationships, the community center boards and the mental health centers provide both short-term SE services, including job coaching, and extended SE services funded through dedicated Medicaid waivers for individuals with developmental disabilities and mental illness once they transition to permanent employment.

To ensure that quality services are provided, DVR conducts joint trainings on a regional basis for staff of the community center boards, the mental health centers and the agency. Also, providers of SE services are required to meet criteria specified in the agency's published fee schedule pertaining to the training and experience of their employees to become authorized vendors in the state. In FY 2008, DVR received \$390,688 in SE services funding under Title VI, Part B, and assisted 291 individuals to achieve competitive employment with supports.

Services to Transition-Age Youths

Services for transition-age youths are coordinated by the Youth and Employment Programs unit under the DVR field services office. The Youth and Employment Programs Unit provides training to all VR counselors regarding transition services and also conducts quality assurance reviews for transition caseloads.

DVR staff provide the majority of transition services directly to transition-age youths. VR counselors are assigned to all 450 high schools in the state. Although some VR counselors serve primarily transition-age youths, the majority serve both adults and youths. The local field office supervisors distribute the transition cases to the VR counselors depending on the needs of the community and the resources within the local office. DVR encourages VR counselors to visit the schools, develop a system of communication and act as points of contact.

DVR also provides transition services statewide through the School to Work Alliance Program (SWAP). DVR and the Colorado Boards of Cooperative Educational Units entered into cooperative agreements to develop programs designed to provide an array of transition services for youth with disabilities. SWAP was developed in 1995 to provide case management and short-term direct services to unserved and underserved transition-age youths who have mild to moderate employment needs, who are eligible for DVR services and who need short-term support to achieve competitive employment outcomes. There are currently 45 SWAP contracts in the state.

SWAP serves roughly 2,500 transition-age youths per year age 16 to 25. All SWAP services are provided year-round in the community. Services include assessments, career exploration and development, job seeking skills, job placement, job coaching and follow-along to ensure initial stability in employment for one year. All SWAP services are provided under the guidance and approval of a DVR VR counselor.

The SWAP coordinators serve as liaisons between the schools and DVR and facilitate referrals from the schools to DVR. For example, The SWAP coordinators gather educational records and provide this material to the VR counselor assigned to the school. The VR counselor uses this information to determine the student's eligibility for DVR services. The VR counselor, SWAP

coordinator and transition-age youth's family then determine whether SWAP or traditional VR transition services would be appropriate. If the services provided by SWAP are appropriate for the student, then the VR counselor and SWAP coordinator collaborate in the development of the individualized plan for employment (IPE).

Services to Individuals who are Blind

DVR operates a non-residential adjustment to blindness training center located in Denver. The adjustment center is located separately from the Denver Metro field and administrative offices, and its facilities include staff offices, classrooms for training, an assistive technology lab and equipment, such as a kitchen, for living skills instruction. Fourteen full-time staff are employed at the center.

Instructors at the center provide services on-site as well as in the community. Orientation and mobility training is typically provided off-site, or in the area immediately surrounding the adjustment center. The center offers blindness skills training primarily to individuals who live in the Denver metro area, but VR clients may relocate to Denver to receive services and live off-campus where the center maintains two apartments. The adjustment center also provides assistive technology services to the entire state.

The center typically serves approximately 15 individuals in center-based training at a time, and another 30 to 40 individuals through itinerant services. In FY 2008, the center reported 91 individuals as achieving an employment goal, 58 of whom received itinerant services, and 33 center-based services.

Demographics of Individuals Served by DVR

DVR serves twice as many African-Americans as the average of all other combined VR agencies at 8.7 percent, but half as many Asian-Americans at 1.2 percent, and slightly fewer Hispanic individuals at 19 percent compared to the national average of just over 20 percent.

DVR serves a higher percentage of individuals who are transition-age youths, with 31 percent (900 individuals) of all individuals served in FY 2008, compared to 26.3 percent (684 individuals) average for the agency's peers selected for this review. These individuals achieved a higher employment rate at 63.5 percent in FY 2008, compared to its peer average of 60.5 percent, or all individuals served by the agency at 57 percent. Peers for this review included combined VR agencies in Kansas, Maryland, and Mississippi.

Personnel

As of July 1, 2009, at the time of the submission of the FY 2010 VR State Plan, DVR reported a total of 249 full-time positions with 32 vacancies. Table 1.1 below shows the distribution of DVR's personnel including vacancies.

Table 1.1

DVR Personnel Vacancy Distribution

Total Positions	
<i>Counselor Series</i>	
Counselor I	116
Counselor II	7
	123
<i>Administration</i>	
Administrative Assistants	45
Program Assistants	8
Office Managers	4
District/Regional Supervisors	17
Business Outreach Specialist	10
Rehabilitation Teachers/Orientation Mobility Specialist	14
Rehab Technician	1
Business Enterprise Staff	4
Central Office Administrative Staff	23
	126
Total Positions	249
Vacant Positions	
<i>Counselor Series</i>	
Counselor I	17
Counselor II	1
	18
<i>Administration</i>	
Administrative Assistants	3
Program Assistants	0
Office Managers	2
District/Regional Supervisors	1
Business Outreach Specialist	0
Rehabilitation Teachers/Orientation Mobility Specialist	4
Rehab Technician	1
Business Enterprise Staff	1
Central Office Administrative Staff	3
	15
Total Vacant Positions	33

To ensure a high standard of competency and credentials for its qualified rehabilitation professionals under the comprehensive system of personnel development, DVR requires its VR

counselors to possess a Master's degree in rehabilitation counseling or a related field, and be eligible to sit for the CRC exam in order to be fully qualified. All of the 105 VR counselors on staff at the time of the submission of the FY 2010 VR State Plan met the agency standard for a fully qualified counselor.

DVR is actively seeking to fill all vacant positions despite periodic state hiring freezes implemented to address statewide budgetary shortfalls. The priority for filling vacancies is to fill all 123 available VR counselor positions.

Data and Case Management

DVR has implemented a management information system for monitoring and assessing all caseload activities. DVR staff have developed internal agency performance reports regarding eligibility determination, timely case management and other areas in which management exercises oversight. "Activity due" reports are made available throughout the agency and VR counselors utilize the system to generate case management reports.

Each month, the agency generates from its system statistical data and a performance level report on applications, case flow management, and closures. The report provides information on the number of applicants, eligibility timelines and employment outcomes. The report is used for planning purposes to establish intervention and develop supervision plans. Additional reports can be accessed by staff when needed.

Data are well integrated into the Agency's quality assurance processes. There are no strict demarcations between data use and business and management practices - a sign that the use of data is an integral part of agency operations. DVR is in the process of replacing its current case management system, which it intends to fully implement by September, 2011.

Quality Assurance

DVR engages in a variety of QA processes and practices, many of which are not often explicitly described by agency managers or staff as QA, but nevertheless contribute to the implementation and maintenance of a QA system. This QA system ensures consistency of the delivery of VR services as well as providing continuous feedback to managers which is then converted into actionable responses in order to improve VR outcomes. Among DVR's QA practices and procedures are: case review procedures that emphasize continuous improvement; manager and staff standing and ad hoc teams that foster open communication at all levels of the agency; a field-level process to assess the quality of services provided by community rehabilitation programs; and a commitment to integrating data collection and analysis into the internal review processes to be facilitated by the implementation of a new data and case management system.

Prior to 2007, the case review process focused on compliance with federal requirements and agency policy. At that time, the case review process was revised and now enables management to provide feedback to VR counselors and staff with the intent of improving the quality of the services delivered and the outcomes achieved. The DVR policy and QA specialist is responsible for conducting the regular case service record reviews as part of DVR's QA program. Large-scale case reviews are conducted twice per year in addition to monthly reviews conducted on a

rotating basis from office to office. Field office supervisors also routinely review VR counselor cases as needed.

A summary report of the monthly reviews with observations and recommendations is sent to the supervisors and the field operations chief. These reports are then aggregated into quarterly and annual reports for review by the rehabilitation leadership team (RLT).

Management decisions are routinely made as a result of significant interactions among DVR management and staff teams. These staff teams include:

- the Rehabilitation Leadership Team (RLT);
- the Field Services Management Team (FSMT);
- the Field Services Supervisors (FSS) team;
- the Vocational Counselor II and specialty counselor teams; and,
- The Employee council.

These teams and committees serve to strengthen communication between the field and the agency managers, and contribute to the consistency of the nature, scope, and quality of services across the state. The VR service policy manual was revised in 2007 as a result of the work of the staff teams described above, and a “forms committee” routinely reviews the effectiveness of the various forms used in the VR process and makes improvements to streamline the process while still adhering to all reporting and documentation requirements.

The RLT is responsible for reviewing and assessing the agency’s performance on the RSA standards and indicators, as well as the program goals established in the VR State Plan. Annual and monthly reports regarding the agency’s performance on the standards and indicators are shared with agency staff. DVR staff are encouraged to review the outcomes and make adjustments in their program activities accordingly.

The QA process for vendors is less formal. A vendor agreement is signed by the agency and the vendor when the amount of purchased services from a particular vendor will exceed \$25,000 in a year. There is a review process that a vendor must engage in before it can enter into an agreement. Vendors which carry out less than \$25,000 in business with DVR are placed on a vendor registry, but are not subject to the same review process.

A fee schedule committee meets every other month and makes recommendations on an annual basis to ensure that VR consumers have as wide a range of choice of vendors as possible. The fee schedule committee routinely incorporates recommendations from the RLT into its fee schedule adjustments. Vendor agreements, qualifications, and credentials are reviewed by this committee as well.

Planning

DVR conducts a comprehensive statewide needs assessment every three years, having completed its most recent assessment in FY2007, through a contract with an outside entity. Customer satisfaction surveys were a significant component of the assessment. DVR mailed out 2,010

satisfaction surveys, with a return rate of 18 percent. Those who agreed or strongly agreed with the statement, “I am satisfied with the services I received from DVR,” totaled 73 percent, while 27 percent disagreed or strongly disagreed. DVR will move to a rolling approach to conducting its comprehensive needs assessment beginning in calendar year 2010, in which the agency will focus on different aspects of the assessment over the course of three years rather than conducting the assessment in its entirety at one time.

DVR uses the results obtained from its needs assessments and its performance on federal standards and indicators to develop the goals and priorities contained in its State Plan with input from the SRC. Among the goals contained in its FY2010 State Plan were:

- to increase the number and quality of employment outcomes;
- to increase the visibility and public awareness of DVR;
- to improve the quality and availability of providers from whom DVR purchases services; and,
- to improve DVR’s ability to maintain a full and competent staff.

Promising VR and SE Program Practices

Throughout the review process, RSA solicited input from DVR and its stakeholders regarding promising practices undertaken by the agency in the administration and operation of the VR and SE programs. The RSA review team substantiated the positive outcomes generated by the practices in the course of conducting monitoring activities. Some of these practices include:

1. Employee Council

In 2007, DVR established a standing committee made up of 20 field office staff from across the state, excluding supervisors and regional managers, and the agency administrator. The Employee Council, as it is known, provides direct feedback to the agency administrator and has had a significant impact on the direction of the agency, both in terms of internal procedures as well as VR service delivery. At the time of this review there were five vacancies and 15 members on the council.

Employees must apply to serve on the committee, with permission from their supervisors, and approval from the membership committee of the council which reviews the statements of interest submitted by all applicants. Employees must commit to serving at least one year on the council, and are limited to three one-year terms.

The council meets in person every other month in a different location. All regions, staff classifications, and specialties are represented, except supervisors. The coordinator of the business enterprise program also serves on the council. All information shared by Council members is considered confidential, so that staff can provide input without concern of either being identified or experiencing consequences. The administrator also provides updates to the Council on legislative activities, policy changes, and new procedures under consideration by the senior management. The administrator can also provide guidance and practical advice with

respect to suggestions from field staff. Sub groups address specific topics which change according to issues identified by the staff.

During its visits to six field offices throughout the state, RSA consistently received reports from field staff regarding the beneficial effects of the Council's work through meaningful interactions with leadership and substantive responsibilities for carrying out the agency's mission. Staff indicated that, as a direct result of the Council's activities, morale remained high, despite the significant fiscal crisis that led to the closing of all categories under the order of selection and rigorous cost containment program. In addition, staff indicated that, through their participation on the Council, they were able to contribute to improvements in the provision of services.

Some of the practices implemented as a result of the Employee Council's input include:

- Disability Awareness-The EC suggested to CDVR that the currently available Disability Awareness training curriculum and toolkit was obsolete. An updated version of the toolkit and training curriculum was developed using an interdisciplinary team from CDVR. The result was a new and much improved Disability Awareness toolkit that was used to train staff and now is used as a training tool by the agency's Business Outreach Specialists and other staff to train employers and other community groups.
- Courtesy Policy-A previously developed policy of allowing a supervisor and an employee to agree to two hours of leave for an unforeseen emergency was resurrected, clarified and rolled out to all of DVR including the training of supervisors in how to use it.
- Comparable Benefits Database-During the time that CDVR was under the Cost Containment Plan, each EC member asked their office to provide a list of providers in their area who offered services at low or no cost. A database was created for the state with searchable information for staff to use. Previous to that, CDVR had only had comparable benefits known at the local office level to use.

2. Procurement waivers

Colorado state procurement procedures require that state agencies obtain three price quotes prior to providing any service costing more than \$5,000. In FY 2008, DVR negotiated a waiver process for this requirement with the state procurement office that applies to services for which the process of obtaining three price quotes would be a significant burden to VR counselors and could cause delays in service provision. The waiver is in effect for services such as vehicle modifications and VR management and staff indicated that purchases are now made more quickly.

3. Business Outreach Specialists

In FY 2007, DVR established nine business outreach specialist (BOS) positions. The BOSes actively generate employment opportunities for VR clients by increasing the level of awareness in the community among employers about the availability of individuals with disabilities to work. The BOSes conduct disability awareness trainings with employers, and often perform job

development functions. To enable DVR to provide more job development services internally, the BOSes coordinate these activities with VR counselors as well.

During the course of the review, the agency's staff, stakeholders and employers credited the BOSes with increasing the quality of employment outcomes achieved by individuals served by DVR. For example, RSA staff met with the BOS assigned to the Colorado Springs field office and personnel at Fort Carson, one of the largest employers in the area, who described their frequent and ongoing contact through which they have matched qualified individuals with a variety of available positions on the military base, from food service to evaluation and planning.

In FY 2010, DVR hired an additional three BOSes, for a total of twelve, one of whom is dedicated to assisting individuals to achieve employment within federal government agencies located in Colorado. This individual BOS produces monthly reports and compiles data regarding outreach efforts, placements and employment outcomes with federal agencies.

VR and SE Program Performance

The following table provides data on the performance of the VR and SE programs administered by DVR in key areas from FY 2004 through FY 2008.

Table 1.2

Program Highlights for Colorado Department of Human Services Division of Vocational Rehabilitation VR and SE Program for FY 2004 through FY 2008

Program Highlights	2004	2005	2006	2007	2008
Total funds expended on VR and SE	\$33,914,035	\$35,239,465	\$44,227,641	\$58,296,861	\$55,004,063
Individuals whose cases were closed with employment outcomes	1,625	1,936	2,209	2,509	2,617
Individuals whose cases were closed without employment outcomes	1,319	1,310	1,181	1,475	1,963
Total number of individuals whose cases were closed after receiving services	2,944	3,246	3,390	3,984	4,580
Employment rate	55.20%	59.64%	65.16%	62.98%	57.14%
Individuals whose cases were closed with supported employment outcomes	172	160	165	267	291
New applicants per million state population	1,434	1,455	1,470	1,535	1,697
Average cost per employment outcome	\$3,189	\$3,404	\$3,393	\$3,534	\$4,046
Average cost per unsuccessful employment outcome	\$2,422	\$2,672	\$2,730	\$2,733	\$3,321
Average hourly earnings for	\$10.17	\$10.04	\$10.31	\$10.61	\$11.38

Program Highlights	2004	2005	2006	2007	2008
competitive employment outcomes					
Average state hourly earnings	\$19.08	\$19.96	\$20.66	\$21.50	\$22.39
Percent average hourly earnings for competitive employment outcomes to state average hourly earnings	53%	50%	50%	49%	51%
Average hours worked per week for competitive employment outcomes	30.9	30.9	30.4	30.1	30.0
Percent of transition age served to total served	31.79%	32.22%	36.37%	32.68%	30.94%
Employment rate for transition population served	61.00%	71.89%	68.53%	71.12%	63.51%
Average time between application and closure (in months) for individuals with competitive employment outcomes	22.0	24.3	22.3	20.8	20.3
Performance on Standard 1	MET	MET	MET	MET	MET
Performance on Standard 2	MET	MET	MET	MET	MET

VR/SE Program Performance Observations and Recommendations

As a result of its review activities, RSA identified the performance observations set forth below and recommended that DVR take specific steps to improve the agency's performance associated with each of the observations.

1. VR Performance and Quality Outcomes

Observation: DVR maintained steady rates of employment for the years FY 2004 through FY 2008, despite experiencing significant fiscal challenges. However, the agency has been less successful in improving its performance on indicators measuring the quality of employment outcomes over this same period. As a result, individuals who received services from DVR during this time were less likely to attain jobs with wages and hours that would enable them to maintain self-sufficiency.

- As Table 1.2 above indicates, DVR increased the number of individuals who achieved an employment outcome in every year from FY 2004 to FY 2008, from 1,625, to 2,617, meeting the required performance level for Indicator 1.1 in each of these years. However, DVR did not pass this indicator in FY 2009, as employment outcomes declined by 401 in this year to a total of 2,216. This is likely due to the impact of the order of selection as implemented by DVR in October of 2008. DVR expected to increase the number of employment outcomes for FY 2010, as it used ARRA funds to move individuals from the waiting list the into active status.
- During the same period, the agency's performance on indicators that measure the quality of employment outcomes did not improve along with the quantity of outcomes. For example, the mean wage earned by individuals with a competitive employment outcome grew from

\$10.17 in FY 2004, to \$11.38 in FY 2008, slightly higher than the average for all combined agencies of \$11.27. However, DVR failed RSA's primary indicator 1.5 that measures the ratio between the average wage earned by VR clients with competitive employment and the average wage for the state population in each of the five years covered by the review, except FY 2004. DVR passed this indicator in FY 2009, with an average VR wage of \$12.00 compared to the state average of \$22.33, for a ratio of 0.53. However, the FY 2009 outcome for this indicator is the highest ratio DVR has achieved since FY 2004. (See Table 1.3 below for DVR trend data showing DVR's average VR wage compared to the average state wage).

Table 1.3

Five-Year Summary Results of Standard 1.5 Colorado-DVR

	Pass (P)				Fail (F)					
	FY 2004		FY 2005		FY 2006		FY 2007		FY 2008	
Indicator 1.5										
Ratio of average hourly VR wage to average state hourly wage										
Average hourly wage of competitively employed	\$10.17		\$10.04		\$10.31		\$10.61		\$11.38	
State average hourly wage	\$19.08		\$19.96		\$20.66		\$21.50		\$22.39	
RSA Minimum Performance Level: .52	0.533	P	0.503	F	0.499	F	0.494	F	0.508	F
	Pass (P)				Fail (F)					
	FY 2004		FY 2005		FY 2006		FY 2007		FY 2008	
Indicator 1.5										
Ratio of average hourly VR wage to average state hourly wage										
Average hourly wage of competitively employed	\$10.17		\$10.04		\$10.31		\$10.61		\$11.38	
State average hourly wage	\$19.08		\$19.96		\$20.66		\$21.50		\$22.39	
RSA Minimum Performance Level: .52	0.533	P	0.503	F	0.499	F	0.494	F	0.508	F

- Similarly, DVR did not perform as well as its peers and all other combined agencies on other indicators measuring the quality of employment outcomes. The percentage of individuals who achieved competitive employment outcomes and worked more than 35 hours per week declined from 52.7 percent to 48.7 percent from FY 2004 through FY 2008. This performance was below that of all combined agencies in FY 2008, which together achieved an average of 58.8 percent. In addition, the percentage of individuals who achieved competitive employment at 35 hours per week and earned above the level of substantial gainful activity (SGA), declined from 51.6 percent to 35.7 percent during this same period, compared to the national average of 51.3 percent for FY 2008.
- DVR increased the percentage of individuals with competitive employment who received medical insurance from their employer from 28.7 percent in FY 2004, to 30.2 percent in FY 2008, roughly matching the national average of 30.7 percent.

Table 1.4

Summary of Quality Indicators for FY 2004 to FY 2008

Competitive Employment Outcomes	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Change from 2004 to 2008
Mean hourly earnings for competitive employment outcomes						
Agency	\$10.17	\$10.04	\$10.31	\$10.61	\$11.38	\$1.20
Combined Agencies	\$9.63	\$9.85	\$10.20	\$10.50	\$11.21	\$1.58
Median hourly earnings for competitive employment outcomes						
Agency	\$8.55	\$8.50	\$8.51	\$8.75	\$9.40	\$0.85
Combined Agencies	\$8.00	\$8.00	\$8.45	\$8.50	\$9.00	\$1.00
Mean hours worked per week for competitive employment outcomes						
Agency	30.9	30.9	30.4	30.2	30.0	-0.9
Combined Agencies	32.8	32.8	32.8	32.7	32.7	-0.1
Median hours worked per week for competitive employment outcomes						
Agency	35.0	35.0	32.0	33.0	32.0	-3.0
Combined Agencies	40.0	40.0	40.0	40.0	40.0	0.0
Closed with competitive employment outcomes at 35 or more hours per week						
Agency	765	907	1,009	1,135	1,188	55.3%
Percent	52.2%	52.1%	49.4%	49.5%	48.7%	-3.5%
Combined Agencies	53,503	54,317	54,502	54,031	51,992	-2.8%
Percent	59.6%	59.9%	59.7%	59.0%	58.8%	-0.9%
Closed with competitive employment outcomes at SGA level at 35 or more hours per week						
Agency	756	900	981	1,123	1,176	55.6%
Percent	51.6%	51.7%	48.0%	48.9%	48.2%	-3.4%
Combined Agencies	52,281	53,100	53,087	52,032	50,664	-3.1%
Percent	58.3%	58.5%	58.1%	56.8%	57.3%	-1.0%
Closed with competitive employment outcomes with employment employer-provided medical insurance						
Agency	420	514	574	666	738	75.7%
Percent	28.7%	29.5%	28.1%	29.0%	30.2%	1.6%
Combined Agencies	28,699	29,236	30,180	30,257	27,153	-5.4%
Percent	32.0%	32.2%	33.0%	33.0%	30.7%	-1.3%

- In FY 2008, a significant number of individuals served by DVR obtained jobs in categories of employment in which they earned on average less than \$10.50 per hour. Table 1.5 below provides a breakdown of outcomes according to standard occupational classification (SOC) codes.

Table 1.5

DVR Outcomes by Standard Occupational Classification (SOC) Codes

	Job Type	FY 2007		FY 2008		Change from 2007 to 2008	
		Count	Wage	Count	Wage	Count	Wage
1	Management	70	\$16.49	54	\$14.99	-22.9%	-\$1.50
2	Business & financial operations	22	\$17.63	25	\$18.38	13.6%	\$0.74
3	Computer & mathematical	33	\$18.34	21	\$22.19	-36.4%	\$3.86
4	Architecture & engineering	14	\$18.43	17	\$19.75	21.4%	\$1.33
5	Life, physical & social science	8	\$11.89	11	\$19.79	37.5%	\$7.90
6	Community & social services	47	\$13.42	51	\$12.74	8.5%	-\$0.68
7	Legal	4	\$13.85	5	\$20.94	25.0%	\$7.09
8	Education, training & library	69	\$12.74	78	\$13.33	13.0%	\$0.59
9	Arts, design, entertainment, sports and media	39	\$14.91	18	\$13.37	-53.8%	-\$1.54
10	Healthcare practitioners & technical	30	\$15.92	49	\$18.94	63.3%	\$3.02
11	Healthcare support	66	\$10.08	50	\$13.81	-24.2%	\$3.73
12	Protective services	34	\$11.33	53	\$12.33	55.9%	\$1.00
13	Food preparation & serving related	294	\$7.78	259	\$8.39	-11.9%	\$0.60
14	Building & grounds cleaning & maintenance	201	\$8.60	215	\$8.91	7.0%	\$0.31
15	Personal care & service	128	\$8.96	157	\$9.96	22.7%	\$1.00
16	Sales & related	315	\$8.96	282	\$9.90	-10.5%	\$0.94
17	Office & admin support	397	\$10.48	457	\$10.42	15.1%	-\$0.05
18	Farming, fishing, & forestry	20	\$8.30	29	\$9.34	45.0%	\$1.04
19	Construction & expansion	92	\$13.80	101	\$14.17	9.8%	\$0.38
20	Installation, maintenance, & repair	78	\$11.09	85	\$12.60	9.0%	\$1.51
21	Production	142	\$10.39	133	\$14.27	-6.3%	\$3.88
22	Transportation & material moving	250	\$9.57	320	\$10.56	28.0%	\$0.98
23	Military specific	-	-	1	\$7.13	0.0%	\$0.00
24	Homemakers	153	\$0.00	140	\$0.00	-8.5%	\$0.00
25	Unpaid family workers	2	\$0.00	2	\$0.00	0.0%	\$0.00
26	Randolph-sheppard vending clerks	1	\$12.50	4	\$15.59	300.0%	\$3.09
27	Randolph-sheppard vending facility operators	-	-	-	-	0.0%	\$0.00
28	Total served / average wages	2,509	\$11.42	2,617	\$12.76	4.3%	\$1.34

Note: SOC Codes changed in 2007, therefore Job Type classifications before 2007 do not appear in this table.

The following list of the top five outcomes according to SOC codes account for 58.5 percent of all outcomes, with an average hourly wage of \$9.63:

- office and admin support, with 457 outcomes, (an increase of 15.1 percent from FY 2007) with an average hourly wage of \$10.42;
- transportation and material moving, with 320 outcomes (an increase of 28.0 percent from FY 2007), with an average hourly wage of \$10.56;
- sales, with 282 outcomes (down 10.5 percent from FY 2007), with an average hourly wage of \$9.90;
- food preparation and serving, with 259 outcomes (a decrease of 11 percent.9 from FY 2007), with an average hourly wage of \$8.39 an hour; and
- building and grounds cleaning and maintenance, 215 (an increase of seven percent from FY 2007), with an average hourly wage of \$8.91.

The nearly two-thirds of individuals who achieved employment in positions paying on average less than \$10.00 explains in part DVR's struggle to pass RSA's indicator 1.5, and to place individuals in employment that provides medical benefits or assists individuals to earn more than the level of substantial gainful activity as defined by the Social Security Administration, and to become self-supporting.

- At the time of the RSA on-site review, DVR did not engage in routine evaluations of the quality of the employment outcomes, but planned to expand its quality assurance efforts to include these performance elements.

Recommendation 1: RSA recommends that DVR:

- 1.1 develop and implement performance targets that measure the quality of employment outcomes, and incorporate these measures into the agency's program-wide quality assurance practices;
- 1.2 identify and implement strategies to assist individuals to pursue career-level employment opportunities; and
- 1.3 take advantage of the relatively high number of federal employment opportunities in Colorado by implementing the strategic initiative all ready under development by DVR to assist individuals pursuing vocational goals compatible with these opportunities.

2. Transition Services

Observation: The total number of transition-age youths served by DVR and the number of employment outcomes for transition-age youths increased from FY 2004 through FY 2008. However, a large number of transition-age youths who achieved employment did so in a relatively short period of time period. Additionally, relatively few transition-age youths participated in post-secondary education and long-term training programs with the support of DVR during the same period of time. As a result of this apparent focus on short terms services and a lack of postsecondary education, the majority of the jobs obtained by transition-age youths were of a lower quality during the period under review.

- In FY 2008, 31 percent of the total number of individuals served by DVR were transition-age youths. The total number of transition-age youths served by DVR increased from 936 to 1,417 from FY 2004 to FY 2008.
- In FY 2008, the employment rate for transition-age youths was 64 percent with 900 transition-age youths achieving an employment outcome, 884 of which were competitive employment outcomes. This was an increase from 549 competitive employment outcomes in FY 2004.
- In FY 2008, 70 percent of transition-age youths exited the VR program with an employment outcome in less than one year after their IPEs were developed.
- In FY 2008, only eight percent of transition-age youths attended college or university and nine percent received occupational or vocational training. This is below the FY 2008 combined agency performance of 23 percent attending college or university and 16 percent receiving occupational or vocational training.
- In FY 2008, 690 transition-age youths served by DVR obtained jobs in categories of employment in which they earned on average less than \$9.00 per hour. According to standard occupational classification (SOC) codes, the top three jobs obtained by transition-age youths in FY 2008 were “food preparation and serving related” (earning \$7.80 per hour), “office and administrative support” (earning \$8.93 per hour), and “transportation and material moving” (earning \$8.99 per hour). Similarly, in FY 2007, the top three jobs obtained by transition-age youths were “food preparation and serving related” (earning \$7.55 per hour), “sales and related” (earning \$7.62 per hour) and “office and administrative support” (earning \$8.97 per hour). See Table 1.6 on the next page.

Table 1.6: Standard Occupational Classification (SOC)
Codes for Transition-Age Youths

Job Type	FY 2007		FY 2008	
	Count	Wage	Count	Wage
Management	9	\$11.26	8	\$14.32
Business & financial operations	-	-	2	\$23.95
Computer & mathematical	6	\$15.90	2	\$22.03
Architecture & engineering	2	\$11.75	2	\$18.50
Life, physical & social science	-	-	4	\$16.93
Community & social services	6	\$10.91	6	\$9.90
Legal	1	\$15.00	-	-
Education, training & library	19	\$9.69	14	\$10.07
Arts, design, entertainment, sports and media	9	\$12.99	4	\$9.02
Healthcare practitioners & technical	3	\$13.67	6	\$12.06
Healthcare support	20	\$10.04	14	\$11.47
Protective services	7	\$8.29	15	\$10.22
Food preparation & serving related	172	\$7.55	139	\$7.80
Building & grounds cleaning & maintenance	75	\$8.18	81	\$8.64
Personal care & service	63	\$8.69	71	\$8.69
Sales & related	153	\$7.62	110	\$8.69
Office & admin support	124	\$8.97	146	\$8.93
Farming, fishing, & forestry	8	\$8.49	13	\$8.44
Construction & expansion	38	\$11.46	36	\$11.78
Installation, maintenance, & repair	30	\$9.63	47	\$10.33
Production	55	\$9.17	44	\$10.32
Transportation & material moving	121	\$8.30	129	\$8.99
Military specific	-	-	1	\$7.13
Homemakers	4	\$0.00	6	\$0.00
Unpaid family workers	1	\$0.00	-	-
Randolph-sheppard vending clerks	-	-	-	-
Randolph-sheppard vending facility operators	-	-	-	-
Total served / average wages	926	\$9.43	900	\$11.23

- The School to Work Alliance Program (SWAP) serves roughly 2,500 transition-age youths per year age 16 to 25. All SWAP services are provided year-round in the community. Services include assessments, career exploration and development, job seeking skills, job placement, job coaching, and follow-along to ensure initial stability in the job for one year. All SWAP services are provided under the guidance and approval of a DVR counselor.
- SWAP is a short-term services program and focuses on transition-age youths obtaining employment. Transition-age youths who are interested in post-secondary education generally do not participate in SWAP. The focus on SWAP within the state may be a factor in the low number of transition-age youths participating in post-secondary education and training.

- DVR collects and analyzes program and fiscal SWAP data on a quarterly basis, including the monitoring of the quantity and quality of VR services, documentation of service numbers services at various stages of the VR process, and employment outcomes for transition-age youths. Additionally, DVR conducts annual site visits, and includes SWAP cases in its service record review process. The implementation of the new case management system will allow DVR to expand its capacity to collect and analyze the SWAP data in order to assess the success of SWAP.

Recommendation 2: RSA recommends that DVR:

- 2.1 evaluate the reasons behind the low number of transition-age youths receiving post-secondary education and training;
- 2.2 assess whether SWAP is contributing to the low numbers of transition-age youths in post-secondary education;
- 2.3 develop and implement a strategy for increasing the number of transition-age youths who receive post-secondary education and training; and
- 2.4 utilize the new case management system to expand the collection and analysis of SWAP performance data on a statewide basis in order to fully assess the success of SWAP services.

3. Attrition

Observation: From FY 2004 through FY 2008, the number of individuals who exited the VR program after applying for services, but before DVR determined their eligibility, decreased significantly. At the same time, the number of individuals who exited the program after their eligibility was determined but before their IPEs were developed, and who exited the program without an employment outcome after receiving services increased. For this period, DVR reported that it closed the cases of the majority of individuals who exited the VR program during these latter two stages of the VR process because the individuals could not be contacted or located, refused services or failed to cooperate with the agency. Consequently, DVR did not provide the full range of VR services to many individuals who sought assistance from the agency to obtain employment during the period.

- As shown in Table 1.7 below, from FY 2004 through FY 2008, the number of applicants who exited the VR program before DVR determined their eligibility for services decreased significantly from 1,887 to 1,373 individuals. This represented a reduction in the percentage of individuals whose cases were closed from applicant status of all those whose cases were closed from 28.3 percent to 16.9 percent, slightly above the percentage for all combined agencies of 16 percent in FY 2008.
- As shown in Table 1.7, from FY 2004 through FY 2008, the number of individuals who exited the VR program after their eligibility was determined, but before their IPEs were developed, increased from 1,796 to 2,106 individuals, a difference of 310 individuals. However, as a percentage of all individuals whose cases were closed, this figure remained relatively constant at approximately 26 percent, above the percentage for all combined agencies of 22.3 percent in FY 2008.
- As shown in Table 1.7, from FY 2004 through FY 2006, the number of individuals who exited the VR program without employment after receiving services decreased from

1,319 to 1,181 individuals. This figure increased to 1,475 in FY 2007, and to 1,963 in FY 2008. In FY 2008, 24.2 percent of the individuals whose cases were closed exited the VR program at this stage of the process, slightly below the national percentage for all combined agencies of 25.2 percent.

Table 1.7

DVR Cases Closed from Applicant Status, After Eligibility but Before Development of the IPE and Without Employment After Receiving Services for FY 2004 through FY 2008

Closure Type	2004	2005	2006	2007	2008	Combined Agencies 2008
Exited as applicant	1,887	2,055	1,603	1,387	1,373	45,616
Percent	28.3%	28.9%	23.1%	18.7%	16.9%	16%
Exited without an employment outcome, after eligibility, but before an IPE was signed	1,796	1,755	1,842	1,959	2,106	63,521
Percent	26.9%	24.7%	26.5%	26.5%	25.9%	22.3%
Exit without employment, after receiving services	1,319	1,310	1,181	1,475	1,963	71,772
Percent	19.8%	18.4%	17%	19.9%	24.2%	25.2%
Total Cases Closed	6,670	7,117	6,944	7,404	8,118	285,183

- As table 1.8 below demonstrates, in FY 2008, DVR closed the cases of a majority of individuals who exited the VR program as applicants, after their eligibility was determined but before their IPEs were developed and without employment after receiving services for three primary reasons - the agency was unable to contact or locate the individuals, the individuals refused services, and the individuals failed to cooperate with the agency.
- In FY 2008, DVR closed the cases of 348 applicants, or 25.3 percent of the individuals who exited the VR program at this stage of the VR process, because they could not be located or contacted, compared to 17.5 percent for all combined agencies. DVR closed the cases of 602 applicants because they refused services and another 216 because they failed to cooperate with the agency, representing 43.8 percent and 15.7 percent of those who exited the program at this stage of the process, respectively. These percentages exceeded those for all combined agencies, which closed the cases of 20.4 percent of the individuals who exited the program as applicants because they refused services and another 10.9 percent for failure to cooperate with the agency (see Table 1.8 below).
- In FY 2008, of the individuals who exited the VR program after their eligibility was determined but before the IPEs were developed, DVR reported that it closed the cases of

635 (30.2 percent) individuals because they could not be located or contacted, 863 (41 percent) individuals because they refused services and 336 (16 percent) because they failed to cooperate. For the same group of individuals that year, all combined agencies closed the cases of 27.8 percent because they could not be contacted or located, 28.5 percent because they refused services and 21.1 percent because they failed to cooperate with the agency (see Table 1.8).

- In FY 2008, of the individuals who exited the VR program without an employment outcome after receiving services, DVR closed the cases of 924 (47.1 percent) individuals because they could not be located or contacted, 578 (29.4 percent) because they refused further services and 234 (11.9 percent) because they failed to cooperate with the agency. For the same group of individuals that year, all combined agencies closed the cases of 33.1 percent of the individuals because they could not be contacted or located, 24.1 percent of the individuals because they refused further services and 18.1 percent because they failed to cooperate with the agency (see Table 1.8).

Table 1.8

DVR Primary Reasons for Closure from Applicant Status, After Eligibility but Before IPE and Without Employment After Receiving Services for FY 2008

Reason for Case Closure	Exited as applicant	Exited without an employment outcome, after eligibility, but before an IPE was signed	Exited without an employment outcome after receiving services
Unable to locate or contact	348	635	924
DVR Percentage	25.3%	30.2%	47.1%
Combined Agencies Percentage	17.5%	27.8%	33.1%
Refused services or further services	602	863	578
DVR Percentage	43.8%	41%	29.4%
Combined Agencies Percentage	20.4%	28.5%	24.1%
Failure to cooperate	216	336	234
DVR Percentage	15.7%	16%	11.9%
Combined Agencies Percentage	10.9%	21.1%	18.1%
DVR Total	1,373	2,106	1,963

- During the course of the review, DVR management indicated that the agency was aware of the decrease in the number of applicants whose cases were closed prior to the determination of their eligibility and attributed this reduction to strengthened partnerships, particularly with the BOCES, enabling them to make more appropriate referrals to DVR.

- DVR management also indicated that, in FY 2007 and FY 2008, it had encouraged VR counselors to review the cases of individuals whose services had been interrupted (DVR Status 24) and to close these cases when appropriate. This activity resulted in the increase in the number of individuals who exited the VR program without employment after receiving services in those years.
- Regarding the increased number of individuals who exited the VR program after their eligibility was determined but before the IPEs were developed, DVR management indicated that the agency had been working with a growing number of individuals, who either were, or whose families were, members of the military and whose residence in Colorado was often short-term and temporary. The transient nature of this population resulted in the inability of VR counselors to locate and contact the individuals and for the individuals to maintain involvement with the program through service delivery.
- To increase the number of individuals who maintain their participation in the VR program at all stages of the process, DVR provided VR counselors with training in the techniques of motivational counseling. At the time of the on-site review in November, 2009, 28 counselors had participated in the training and additional counselors were to receive the training in March, 2010.

Recommendation 3: RSA recommends that DVR:

- 3.1 evaluate the caseloads of VR counselors who participated in the training of motivational techniques and those who did not to assess the effect of the training on the number of individuals exiting the VR program as applicants, after their eligibility is determined but before the IPEs are developed and without employment after receiving services and the reasons for which they exit;
- 3.2 conduct surveys of individuals who exit the VR program as applicants, after eligibility is determined but before their IPEs are developed and without employment after receiving services to better understand the reasons why these individuals are withdrawing from the program; and
- 3.3 based on the data and information obtained through the evaluation of the effect of the motivational training and the survey, develop goals with measurable targets to decrease the number of individuals leaving the program at these stages of the process, and strategies to achieve these goals.

Technical Assistance and Continuing Education

This section of the chapter describes the technical assistance (TA) and continuing education provided by RSA to DVR during the course of the review and the continuing education needs of the agency identified by its personnel and stakeholders. The TA requested by the agency to enable it to carry out the recommendations set forth above is included in Appendix A of this report titled “Agency Response.”

Technical Assistance Provided

During the review of the VR and SE programs, RSA provided technical assistance to DVR regarding:

- issues and strategies to consider when assisting individuals to obtain employment with the federal government;
- the analysis of homemaker outcome data to ensure that one disability group is not over-represented in this category of outcomes;
- strategic planning, including setting goals with measurable outcomes; and
- techniques to maintain contact with individuals to reduce the number of persons whose cases are closed prior to the achievement of employment.

Continuing Education

During the course of the review, DVR and stakeholder representatives, including the SRC requested that agency personnel receive continuing education in the areas of:

- techniques in motivational counseling;
- techniques and strategies for securing employment for VR clients with the federal government;
- the effective use of data to analyze performance, particularly following the installment of the new case management system; and
- the roles and functions of the SRC, particularly with respect to reviewing VR service policy changes and the setting and implementation of VR program goals and priorities.

CHAPTER 2: DVR INDEPENDENT LIVING PROGRAM

IL Program Systems

The following sections of this chapter describe the manner in which DVR administers and operates the IL program, authorized pursuant to Title VII, Part B, of the *Rehabilitation Act*, through a variety of functions or systems, including service delivery, personnel, case and data management, quality assurance and planning.

Program Administration and Service Delivery

Ten CILs are located in Colorado, which collectively cover every county. All CILs receive a portion of funding through the Colorado Independent Living Core Services program (CILCS) program and six of the ten receive funding under Title VII, Part C.

DVR employs one individual to administer the CILCS program, which is supported through a combination of state appropriations and Title VII, Part B funds. DVR distributes these funds according to a three-tier plan based on an analysis conducted in FY 2002. Details of this funding structure can be found in Chapter 4 of this report. DVR staff negotiate contracts with each CIL, which specify the number and types of services to be performed.

The CO SILC includes 14 members, nine of whom are people with disabilities. CO SILC activities are staffed by a SILC Coordinator. The SILC resource plan is funded by a combination of Part B (\$30,000 annually) and Title I basic support VR funds (\$48,500 annually).

Personnel

The DSU maintains one .8 FTE as an Independent Living Program Coordinator and one .2 FTE Program Assistant. These individuals are primarily responsible for the administration of the IL program.

Data Management

CILs submit monthly reports to DVR that describe progress on programmatic and fiscal expectations set forth in each contract. These monthly reports are expected to address progress on the specific activities and outcomes listed in the CILs individual reports. The CO DVR IL Administrator is responsible for reviewing reports and investigating variances from expected levels of performance.

The SILC reviews annual data reported through the RSA-704 report to identify trends and needs and to assess the progress made toward the accomplishment of SPIL goals. The SILC also uses RSA-704 or other data available from CILs to analyze specific issues on an as needed basis.

Quality Assurance

CO DVR staff review CIL reports for comparison with expected levels of monthly and year-to-date progress on achieving goals established in individual CIL contracts. Variations are typically addressed by the provision of technical assistance.

DVR IL staff conduct on-site reviews of grantees at least every three years and more often if necessary. Through these reviews, DVR verifies that data reported are supported by available documentation and that activities supported by CILCS funds are in accordance with contract expectations. Staff also provide technical assistance during these on-site visits.

Planning

The Colorado SILC conducts six community meetings per year. Through these meetings, the SILC obtains public input, which is used to guide SILC activities and SPIL planning. SILC members also annually review CIL work plans as submitted in PART II of the RSA-704 report. These activities are intended to track progress on SPIL goals.

The Colorado IL community has undertaken the development of a new needs assessment process that utilizes a logic model, extensive demographic analysis and community input to better inform SILC activities and SPIL planning. The outcomes of this process will be used in the preparation of the FY 2010-2013 SPIL.

IL Program Performance

The following table provides data on the DVR IL program performance in key areas in FYs 2008 and 2009.

Table 2.1

Colorado IL Program Highlights for FY 2008 through FY 2009

Funding, Performance, and FTEs	2008	2009
Title VII, chapter 1, part B funds	296,212	312,984
Total resources (including part B funds)	5,142,494	2,251,672
Total served	1,574	1,540
Total consumer service records closed	500	356
Cases closed, completed all goals	291	170
Total goals set	3,693	3,484
Total goals met	2,858	2,587
Total individuals accessing previously unavailable transportation, health care, and assistive technology	1,399	2,505
Total FTEs	33.05	31.45
Total FTEs with disabilities	23.00	26.20

Note: This table, based on data reported in Part I of the RSA-704, reflects the State Independent Living Services (SILS) program funded by Part B funds under Title VII, Chapter 1 of the Rehabilitation Act. It includes data describing IL services provided by DVR either directly and/or through grants or contracts with CILs, excluding those funded directly by RSA under Title VII, Chapter 1, Part C, of the Rehabilitation Act.

IL Program Performance Observations and Recommendations

As a result of its review activities, RSA identified the performance observations set forth below and recommended that DVR take specific steps to improve the agency's performance associated with each of the observations.

1. IL Roles, Responsibilities and Collaboration

Observation: The SILC, DVR and the CILs lack a common understanding regarding their respective roles and responsibilities to carry out the functions of the IL program. This misunderstanding has significantly affected the relationships among these IL partners and their ability to collaborate on respective mandated duties, including writing of the FY 2011-2013 SPIL.

- RSA held meetings with SILC, DSU and CIL members. In these meetings RSA experienced significant disagreement regarding the legally defined roles and responsibilities among members of the IL community. Perceptions on these details were often contrary to established law and regulation.
- Specifically, misunderstandings existed among representatives of the SILC, DVR and the CILs regarding the SILC's authority in relation to CILs, CILs role in state planning activities, definitions of elements included on the RSA-704 report and the DSU's responsibilities related to the administration of Part B funds.

Recommendation 1: RSA recommends that the DSU, SILC and CILs conduct trainings on the legally defined aspects and responsibilities of the IL community, with particular focus on areas that describe each party's roles and responsibilities with respect to specific activities.

2. RFP Process for Part B Funds

Observation: There is a lack of qualitative data used in the evaluation of CILCS funding. This is impeding the DSU's ability to utilize past performance as a tool to evaluate current and future applications.

- Applications for CILCS funding are often for similar activities and/or by identical applicants as previous funding cycles.
- Through its normal process of administering CILCS funds DVR is likely to acquire significant amounts of data which relate specifically to a CILs ability to perform activities similar, if not identical, to those for which applications are received.
- This data is not utilized in the RFP review process.
- DVR uses grantee past performance in evaluation of future awards under the OIB program.

Recommendation 2: RSA recommends that where appropriate DVR utilize past performance in evaluating future CILCS applications. DVR may wish to replicate practices used in its OIB program application process.

Technical Assistance

This section of the chapter describes the technical assistance (TA) provided by RSA to DVR during the course of the review. The TA requested by the agency to enable it to carry out the recommendations set forth above is included in Appendix A of this report titled “Agency Response.”

Technical Assistance Provided

During the review of the IL program, RSA provided technical assistance to the Colorado SILC, DVR and CILs regarding:

- roles and responsibilities of IL community members;
- techniques for assuring CIL compliance with federal reporting requirements; and
- strategies for addressing misperceptions on roles and responsibilities among members of the IL community.

CHAPTER 3: INDEPENDENT LIVING SERVICES PROGRAM FOR OLDER INDIVIDUALS WHO ARE BLIND

Program Systems

The following sections of this chapter describe the manner in which DVR administers and operates the independent living services program for older individuals who are blind (OIB), authorized pursuant to Title VII, Chapter 2, of the *Rehabilitation Act*, through a variety of functions or systems, including service delivery, personnel, case and data management, quality assurance and planning.

Program Administration and Service Delivery

DVR provides OIB program services through competitive three-year contracts with community providers. In FY 2009, DVR received OIB funds totaling \$453,938 and awarded seven contracts to centers for independent living. Through the contracts, CILs primarily provide IL and adjustment training, both in terms of the number of individuals receiving and expenditures on these services.

Personnel

DVR utilizes two individuals to administer the OIB program, with this duty being included in the responsibilities of the Independent Living Program Coordinator (.8 FTE) and Program Assistant (.2 FTE).

Data Management and Quality Assurance

CILs submit RSA-7-OB monthly reports to DVR based on contract expectations. These reports include programmatic outcomes as well as fiscal expenditures for any given month. DVR reviews these reports for progress toward contractually defined goals and expectations. DVR staff certify reports as satisfactory before authorizing payment. Significant deviations from expected monthly totals typically receive follow-up calls and potentially provision of technical assistance.

Additionally, DVR staff utilize these monthly reports in the RFP process. Specifically, RFP panels analyze previous performance with a focus on applicants who are proposing to provide similar services as in previous years. Positive or negative interpretations of this data could potentially affect the review committee's review of new applications.

Planning

OIB activities are addressed in SPIL planning, primarily in efforts to avoid duplication. Although not assured for future years, current location of OIB contracts in CILs assists in tying OIB and IL activities together in SPIL planning efforts. Furthermore, coordination of planning

efforts occurs due to the fact that the same DSU staff have primary responsibility for administration of both Title VII, Part B and Chapter 2 funds.

OIB Program Performance

The following table provides data on DVR OIB program performance in key areas from FY 2008 through FY 2009.

Table 3.1

Colorado OIB Program Highlights for FY 2008 and FY 2009

Expenditures, Performance, and FTEs	2008	2009
Title VII, chapter 2 expenditures	416,511	580,421
Total expenditures (including chapter 2)	471,234	644,912
Total served older individuals who are blind	773	1,020
Total FTEs	10.69	12.20
Total FTEs with disabilities	6.85	5.40

OIB Program Performance Observations and Recommendations

As a result of its review activities, RSA identified the performance observations set forth below and recommended that DVR take specific steps to improve the agency's performance associated with each of the observations.

1. Referrals

Observation: From FY 2006 to 2009 CO VR has reported a consistently high percentage of their OIB referrals from a combination of Self and Other referrals, including 41% of total referrals in FY 2009. These categories do not provide DVR with information critical to the evaluation of its outreach efforts.

- The following percentages were reported to RSA as referral numbers for the 7-OB categories "Self" plus "Other"- 2006: 57%; 2007 53%; 2008 24% and 2009 41%.
- These figures are significant enough to impact CO DVR's ability to accurately determine where referrals are coming from and thus to make informed program decisions.
- Discussion with OIB staff indicate that these percentages are likely due to staff not following up with consumers to determine more specific referral information.

Recommendation 1: RSA recommends that DVR evaluate practices around the collection of OIB referral data and identify steps that can be taken to increase accuracy of this data.

CHAPTER 4: FISCAL MANAGEMENT OF THE DVR VOCATIONAL REHABILITATION, SUPPORTED EMPLOYMENT, INDEPENDENT LIVING AND INDEPENDENT LIVING SERVICES FOR OLDER INDIVIDUALS WHO ARE BLIND PROGRAMS

RSA reviewed DVR's fiscal management of the vocational rehabilitation (VR), Supported Employment (SE), Independent Living (IL) and Independent Living Services for Older Individuals Who are Blind (OIB) programs. During the review process, RSA provided technical assistance to the state agency to improve its fiscal management and identified areas for improvement. RSA reviewed the general effectiveness of the agency's cost and financial controls, internal processes for the expenditure of funds, use of appropriate accounting practices and financial management systems.

Fiscal Management

The Division of Vocational Rehabilitation is located within the Colorado Department of Human Services (CDHS). The Office of Budget Services (OBS) prepares, coordinates, and monitors CDHS operating and capital construction budgets. OBS is the department's primary contact with the Office of State Planning and Budgeting (OSPB) and the Joint Budget Committee (JBC). OBS monitors and coordinates the approval and submission of all grants, and works with programs to develop the CDHS Strategic Plan

Budget development for programs

Budget analysts work with CDHS program staff to identify financial issues and implement the budget process. Analysts develop the annual budget request following OSPB requirements and direction from the Executive Management Team (EMT).

Budget analysts review budget actions proposed by program staff for policy implications and resource requirements, and then prepare the necessary documents to submit to the Governor's Office and the JBC. Budget analysts also identify cash fund sources and prepare revenue projections to ensure that revenues are sufficient to support the Department's request.

Once the budget request has been submitted, analysts guide their program budgets through the Executive and Legislative budget processes. They attend budget-related hearings, respond to questions and requests for information from OSPB and JBC staff, update program staff and CDHS management regarding the budget process, and work with JBC staff to finalize fund splits and letter note amounts for the Long Bill.

Budget development for centrally-appropriated items

Budget analysts develop budget requests for centrally appropriated items using common policy instructions issued by the OSPB, the Department of Personnel and Administration (DPA), or JBC staff. Examples of these types of requests include salary survey, pay for performance, health, life and dental insurance, shift differential pay, overtime pay, vehicle lease payments, and utilities. Budget analysts coordinate budget requests with other agencies.

Financial oversight

Budget analysts monitor current year revenues and expenditures. Budget analysts review revenues and expenditures to ensure compliance with appropriated dollar amounts, and anticipate budget issues such as revenue shortfalls or over/under expenditures. Budget analysts are actively involved in program budget management, working to develop solutions to potential budget issues and ensure fiscal accountability and the efficient utilization of resources.

The budget office holds departmental responsibility for allocating and managing dollars appropriated to the EDO. Staff monitor program FTE levels to ensure that usage does not exceed appropriation levels. Budget staff certify adequate program resources for personnel additions or changes and contracts. This review is also designed to ensure that expenditures meet legal requirements and that they support departmental requirements and objectives.

Financial data

Budget staff develop processes, protocols, and internal controls to ensure that financial information is accurate, concise, timely, and defensible. The office serves as the single entry point into CDHS for financial information flowing between CDHS programs, the JBC, and OSPB staff, and reviews outgoing information such that JBC and OSPB is provided with consistent, accurate information. The CDHS budget office acts as a liaison to provide financial information to other state agencies.

Budget analysts coordinate the booking of long bill, special bills, and supplemental appropriations with the accounting division. Budget staff also work with program and accounting staff to complete transfers, ensure that revenues are properly booked, and restrict dollars as appropriate. Analysts attend periodic fiscal team meetings comprised of program and accounting staff.

DVR's Fiscal Performance

The data in the following tables are taken from fiscal and program reports submitted by the state agencies to RSA, and speak to the overall effectiveness of the agency's fiscal management practices. Data related to the VR program matching requirements are taken from the fourth quarter of the respective fiscal year's SF-269 report. The data pertaining to the VR program maintenance of effort requirements are derived from the final SF-269 report of the fiscal year (two years prior to the fiscal year to which they are compared). Fiscal data related to VR program administration, total expenditures, and administrative cost percentage are taken from the RSA-2. IL and OIB program fiscal data, including the sources and amount of funding, match and carryover, are extracted from the programs' SF-269s, the RSA-704 and the RSA-70B reports.

Table 4.1**Fiscal Data for DVR for FY 2004 through FY 2008**

Colorado (C)					
Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	\$26,164,691	\$28,243,537	\$32,547,661	\$34,772,217	\$36,083,923
Federal Expenditures	\$26,164,691	\$28,243,537	\$32,547,661	\$34,772,217	\$36,083,923
Required Match	\$7,081,422	\$7,644,058	\$8,808,960	\$9,411,032	\$9,766,043
Actual Match	\$7,081,422	\$7,644,058	\$8,808,960	\$9,411,032	\$10,081,351
Over (Under) Match	\$0	\$0	\$0	\$0	\$315,308
Carryover at 9/30 (year one)	\$8,732,064	\$8,475,954	\$8,549,147	\$2,945,796	\$0
Program Income	\$924,359	\$747,979	\$848,716	\$786,670	\$1,694,644
Maintenance of Effort (MOE)	\$6,697,568	\$6,687,213	\$7,081,422	\$7,644,058	\$8,808,960
Administrative Costs	\$3,690,191	\$4,057,595	\$6,144,774	\$7,990,589	\$5,795,871
*Total Expenditures	\$33,914,035	\$35,239,465	\$44,227,641	\$58,296,861	\$55,004,063
Percent Admin Costs to Total Expenditures	10.88%	11.51%	13.89%	13.71%	10.54%

*Includes Supported Employment Program Expenditures.

Table 4.2**Fiscal Data for DVR for FY 2004 through FY 2008**

Colorado (C)					
Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	\$293,902	\$304,522	\$301,477	\$301,477	\$296,212
Federal Expenditures	\$272,985	\$304,098	\$301,477	\$301,477	\$296,212
Required Match	\$30,332	\$33,789	\$33,497	\$33,497	\$32,912
Actual Match	\$30,332	\$33,789	\$33,497	\$30,229	\$32,911
Over (Under) Match	\$0	\$0	\$0	-\$3,268	-\$1

Table 4.3**Fiscal Data for DVR for FY 2004 through FY 2008**

Colorado (C)					
Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	\$387,477	\$404,996	\$403,450	\$409,385	\$416,511
Federal Expenditures	\$370,095	\$379,826	\$403,450	\$409,385	\$416,511
Required Match	\$41,122	\$42,203	\$44,828	\$45,487	\$46,279
Actual Match	\$41,122	\$42,203	\$44,828	\$45,487	\$46,279
Over (Under) Match	\$0	\$0	\$0	\$0	\$0

Fiscal Management Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that DVR is required to undertake. DVR must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days from the issuance of this report and RSA is available to provide technical assistance to assist DVR to develop the plan and undertake the corrective actions. RSA reserves the right to pursue enforcement action as it deems appropriate, including the recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR part 81 of EDGAR.

1. Third-Party Cooperative Arrangement -- School to Work Alliance Program (SWAP)**Legal Requirements:**

Section 111(a)(1) of the Rehabilitation Act and 34 CFR 361.3 require that allowable expenditures made with Title I VR funds must be for providing VR services to eligible consumers or administering the VR program.

34 CFR 361.12 requires that:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under [the VR program]. These methods must include procedures to ensure accurate data collection and financial accountability."

34 CFR 361.28 states that:

- (a) The designated State unit may enter into a third-party cooperative arrangement for providing or administering [VR] services with another State agency or a local public agency that is furnishing part or all of the non-Federal share, if the designated State unit ensures that—

- (1) The services provided by the cooperating agency are not the customary or typical services provided by that agency but are new services that have a [VR] focus or existing services that have been modified, adapted, expanded, or reconfigured to have a [VR] focus;
 - (2) The services provided by the cooperating agency are only available to applicants for, or recipients of, services from the designated State unit;
 - (3) Program expenditures and staff providing services under the cooperative arrangement are under the administrative supervision of the designated State unit; and
 - (4) All State Plan requirements, including a State's order of selection, will apply to all services provided under the cooperative program.
- (b) If a third-party cooperative agreement does not comply with the statewideness requirement in §361.25, the State unit must obtain a waiver of statewideness, in accordance with §361.26.

34 CFR 80.20(a), in pertinent part, requires that:

- (a) A state must exp[en]d and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

34 CFR 80.40(a) requires that:

Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

2 CFR part 225 (formerly known as OMB Circular A-87), Appendix A, paragraph C, in pertinent part, states:

- C.1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - a. Be necessary and reasonable for proper and efficient performance and administration of Federal Awards...
 - b. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

- 3.a. A cost is allocable to a particular cost objective if the goods and services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Finding: For the last 15 years, DVR has entered into third-party cooperative arrangements with school districts and Boards of Cooperative Educational Units (BOCEs) to develop programs that

provide an array of transition services for youth with disabilities, including the “School to Work Alliance Program” (SWAP). Developed in 1995, SWAP provides case management and direct services to unserved and underserved transition-age youths with disabilities who: 1) have mild to moderate employment needs; 2) have been determined eligible for DVR services; and 3) need short-term support to achieve employment outcomes under the VR program. SWAP is supported through an annually-negotiated interagency flat fee contract with DVR.

Each year, SWAP serves roughly 2,500 transition-age youths, age 16 to 25, who have been determined eligible for VR services by DVR’s VR counselors (VRCs), as required by 34 CFR 361.13(c)(1)(i) and 34 CFR 361.28(a)(2). During the review, RSA noted that the SWAP coordinators and DVR’s VRCs work well together, in coordination with the youths and their families, to determine which transition service is more appropriate for each youth -- SWAP or traditional VR transition services. If it is agreed that the SWAP services are most appropriate for a particular youth, then the VRC and SWAP coordinator work in conjunction to specify SWAP services in the youth’s IPE, as required by 34 CFR 361.45.

SWAP services, provided year-round in the community, include assessments, career exploration and development, job seeking skills, job placement, job coaching, and job shadowing to ensure initial stability in the job. These services satisfy the requirement of 34 CFR 361.28(a)(1) because they have a VR focus and are not the typical services provided by the schools. SWAP services continue for one year after a student with a disability is placed in a job. All SWAP services are provided under the guidance and approval of a DVR VRC, as required by 34 CFR 361.13(c)(1)(i) and 34 CFR 361.28(a)(3).

SWAP coordinators are employees of the CO Board of Cooperative Educational Units (BOCEs) which are CO’s educational service agencies. The BOCEs provides technical assistance, training, monitoring, and product development and dissemination. According to the information RSA learned onsite, DVR retains responsibility for the supervision of staff and expenditure of funds under the SWAP program, as required by 34 CFR 361.28(a)(3). SWAP is available in all BOCEs in Colorado, as required by 34 CFR 361.28(b). At the time of the on-site review, there were 45 SWAP contracts in place. Each of the BOCEs requests continuation funds each year by using the same form.

Although RSA reviewed several of the requests for continuation funds, only one – Jefferson County Public Schools – will be used to illustrate the areas of non-compliance in this finding for all of the contracts since each of the BOCEs’ requests for continuation funds are submitted on the same forms and utilize the same process. As such, each raises identical legal issues. In its request for continuation funds to run the SWAP program for the period July 1, 2007 through June 30, 2008, Jefferson County Public Schools reported that it would cost a total of \$285,840 to run the SWAP program in that particular district that year -- \$267,840 in personnel costs (section I) plus \$18,000 in operating costs (mileage, phones, office supplies, etc.) (section II). Under the agreement, Jefferson County Public Schools would provide DVR with non-Federal funds of the full amount to run the program -- \$285,840 -- to be used as match under the VR program (section V). However, section VI indicates that Jefferson County Public Schools would receive \$571,680 under the SWAP contract from DVR for the period of July 1, 2007 through June 30, 2008. This amount reflects the full amount to run the program (\$285,840) plus an additional \$285,840 for an

unknown purpose. In other words, under the contract, Jefferson County Public Schools would receive two times more in VR funds than it agreed to expend on the SWAP program. This request for continuation funds, as well as the other 44 requests to run all 45 SWAPs, raises three specific areas of non-compliance under the VR program.

First, DVR must maintain procedures to ensure that it administers the VR program in an efficient and effective manner and accounts for the proper expenditure of VR funds (34 CFR 361.12 and 34 CFR 80.20(a)). DVR must ensure that VR funds are spent solely on the provision of VR services and the administration of the VR program (34 CFR 361.3). The Federal cost principles require that Federal funds be spent on allowable and allocable costs. To be allowable, costs must be necessary and reasonable for carrying out the program (2 CFR part 225, Appendix A, C.1.a). To be considered reasonable, the cost must be one that would be incurred by a prudent person (2 CFR part 225, Appendix A, paragraph C.2). To be allocable to the program, the cost must be proportional to the benefit received by the Federal program (2 CFR part 225, Appendix A, C.3.a). In the request for continuation funds just described, DVR would provide Jefferson County Public Schools with twice the amount of VR funds needed to run the SWAP program in that particular district that year. The \$285,840 excess is neither reasonable nor necessary under the SWAP contracts. As a result, this excess is neither allowable nor allocable to the VR program pursuant to 34 CFR 361.3 and the Federal cost principles at 2 CFR part 225, Appendix A, paragraph C. In giving Jefferson County Public Schools, and other BOCES, twice the amount needed to operate the SWAP program, DVR also has failed to comply with 34 CFR 361.12 and 34 CFR 80.20(a), because DVR cannot ensure that VR funds have been spent properly and efficiently for the SWAP program.

Second, third-party cooperative arrangements, such as the agreements with the BOCES implementing the SWAP program, are created as a mechanism for DVR to obtain non-Federal funds from the cooperating agency – e.g., the BOCES – to cover part or all of the State’s non-Federal share of the costs of that program (34 CFR 361.28). Pursuant to 34 CFR 361.60(b)(1), DVR must use non-Federal funds to cover at least 21.3 percent of the total VR expenditures, with the balance – a maximum of 78.7 percent -- of the total expenditures paid with Federal VR funds. The non-Federal funds for match purposes, including those provided by public cooperating agencies pursuant to 34 CFR 361.28, must be used solely for expenditures that are allowable under the VR program (*Id.* and 34 CFR 80.24(a)(1)).

In this case, according to sections I and II of the request for continuation funds, Jefferson County Public Schools only need \$285,840 to operate the SWAP program and cover the SWAP-related expenditures. In that request, Jefferson County Public Schools agree to provide \$285,840 – the full amount it says it would cost to run the SWAP program -- to DVR for match purposes (section V). In return, DVR would provide \$571,680 in Federal VR funds to the Jefferson County Public Schools for the contract period. However, the full amount of the contract should only be \$285,840, since Jefferson County Public Schools has indicated in its own request for continuation funds that the SWAP program would cost only that amount to operate. Of that, Jefferson County Public Schools is required by 34 CFR 361.28 “to [furnish] part or all of the non-Federal share” of the SWAP expenditures. DVR, in turn, would contribute the balance of the funds needed to operate the SWAP with Federal VR funds.

If Jefferson County Public Schools were to pay all SWAP-related expenditures with its own non-Federal funds, as the request for continuation funds indicates and as it is permitted to do pursuant to 34 CFR 361.28, then DVR could not contribute any Federal funds to the contract, because there would be no allowable VR expenditures under the SWAP contract remaining to be paid with Federal VR funds. However, the net effect of the contract transaction, as agreed to in the request for continuation funds, is that Jefferson County Public Schools would get back in Federal funds the full amount -- \$285,840 -- it paid to DVR plus an additional \$285,840 to run the SWAP (section VI). As a result, Jefferson County Public Schools would not be out-of-pocket for any of the contract expenditures and, as such, would not be providing non-Federal funds to cover any of the SWAP expenditures, as required by 34 CFR 361.28. Instead under the current arrangement, Federal funds would cover 100 percent of the SWAP expenditures, which is not permitted by 34 CFR 361.28(a) and 34 CFR 361.60(b)(1). Therefore, the \$285,840 provided by Jefferson County Public Schools, and similar amounts provided by other BOCES under the current contract arrangement may not be used for match purposes under the VR program, pursuant to 34 CFR 361.60(b)(1) and 34 CFR 80.24(a), because the non-Federal funds are not used to cover the SWAP-related expenditures since, according to the terms of the requests for continuation funds, Federal funds cover all costs of the SWAP.

In the alternative, if DVR and Jefferson County Public Schools (or any of the other BOCES) were to agree to maintain the current SWAP contract amount of \$571,680, Jefferson County Public Schools could continue to provide non-Federal funds of \$285,840 -- 50 percent of the total SWAP contract, pursuant to 34 CFR 361.28(a). In that event, DVR could provide only the remaining balance of the contract costs of \$285,840 in Federal VR funds. Under this arrangement, the SWAP would double in size, since the current contract and request for continuation funds state that only \$285,840 is needed to operate the SWAP. However, unlike the current arrangement, the entire \$571,680 contract amount would need to be spent on the SWAP—not the current \$285,840. As a result, more personnel could be hired to provide SWAP services to more students with disabilities in transition. In that event, the contracts and requests for continuation funds, between DVR and each of the BOCES, would need to be modified to make it clear that the entire contract amount of \$571,680 would be spent on SWAP-related expenses.

Third, in section II of the above-described contract, Jefferson County Public Schools project that the district would spend \$18,000 for operating costs, such as travel, training, phones, postage, supplies, and indirect costs, during the contract period. Unlike section I, which specifically states that the contract only includes the FTEs needed to operate the SWAP program, section II does not make it clear that these operating costs are solely limited to those incurred during the operation of the SWAP program. As a result, it is unclear whether these operating costs are specific to the SWAP program or whether they reflect general operating costs for the Jefferson County Public Schools. Furthermore, the contract does not include the indirect cost rate. Without that information, it is impossible to determine whether all benefitting programs -- including DVR for the operation of the SWAP program -- are paying an equitable share, as required by the Federal cost principles at 2 CFR part 225, Appendix A, paragraph F. As stated earlier, VR funds must be spent solely on allowable activities, namely the provision of VR services and the administration of the VR program (34 CFR 361.3 and 2 CFR part 225, Appendix A, paragraph C.1). VR funds must be used solely for those expenditures that are

allocable to the VR program and may not be spent on costs that should be borne by other entities or other funds (2 CFR part 225, Appendix A, paragraph C.3). Given the lack of detail in the requests for continuation funds, it is unclear how much of these operating expenditures are allowable under and allocable to the VR program.

Finally, DVR is required by 34 CFR 80.40(a) to monitor all grant-supported activities to ensure compliance with Federal requirements. There is no evidence in any of the documents that RSA reviewed or information that RSA learned during on-site interviews with DVR staff, that DVR monitors the SWAP programs, and the activities performed by the BOCES, to ensure compliance with Federal requirements.

Corrective Action 1: DVR must:

- 1.1 cease using Federal VR funds to pay the BOCES more than is necessary to operate the SWAP. The contract total should reflect the total amount needed to operate the SWAP. Of that total, the BOCES must pay a portion of the non-Federal share, pursuant to 34 CFR 361.28(a), and VR funds may only be used for the balance of the contract amount;
- 1.2 cease counting non-Federal funds from the BOCES toward satisfying the match requirement under the VR program when those non-Federal funds are not used to pay at least a portion of the total expenditures for the SWAP, pursuant to 34 CFR 361.28(a);
- 1.3 revise the SWAP contracts with each of the BOCES to ensure that the contract amount does not exceed the cost to run the SWAP program, and that Federal VR funds are not used to pay more than the agreed upon Federal share of the total allowable expenditures to run the SWAP. The revised contract must require the BOCES to pay at least a portion of the non-Federal share of the total contract costs, and the contract terms must set forth the monitoring responsibilities of DVR;
- 1.4 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that: 1) VR funds will not be used to pay more than the Federal share of the cost to run the SWAP; 2) VR funds will be used solely for allowable and allocable expenditures; 3) non-Federal funds will not be used for match purposes under the VR program when those funds were not used to cover at least a portion of the total allowable expenditures; and 4) grant-supported activities, including the SWAP will be monitored to ensure compliance, as required by section 111(a)(1) of the Rehabilitation Act, 34 CFR 361.3, 34 CFR 361.12, 34 CFR 361.28, 34 CFR 361.60(b), 34 CFR 80.20(a), 34 CFR 80.24(a), 34 CFR 80.40(a) and the cost principles set forth at 2 CFR part 225, Appendix A;
- 1.5 submit the following to RSA:
 - A. a spreadsheet, covering FYs 2005 through 2010, that outlines: 1) the total contract amount for each of the SWAP contracts for each of the BOCES; 2) the amount that each of the BOCES reported in the request for continuation of funds that it would cost to run the SWAP program in each of those years; 3) the amount paid by the BOCES with non-Federal funds under the SWAP contracts for each of those years; and 4) the amount of Federal VR funds DVR paid under the SWAP contracts for each of those years;
 - B. the yearly amount of non-Federal funds paid by the BOCES, during FYs 2005 through 2010, that DVR counted towards satisfying its match requirement under the VR program but that were not used to pay at least a portion of the costs to run the SWAP program; and

- C. a spreadsheet for FYs 2005 through 2010 detailing the amount of costs paid under the SWAP contracts to cover SWAP-related operating costs versus those paid under the contracts to cover the BOCEs' general operating costs; and
- 1.6 provide copies of the revised SWAP contracts and request for continuation funds to ensure completion of this corrective action.

2. Third-Party Cooperative Arrangement – Mental Health Supported Employment Project

Legal Requirements:

34 CFR 361.12 requires that:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under [the VR program]. These methods must include procedures to ensure accurate data collection and financial accountability.”

34 CFR 361.13(c), in pertinent part, states that:

(c) *Responsibility for administration.* (1) At a minimum, the following activities are the responsibility of the designated State unit or the sole local agency under the supervision of the State unit:

(iv) The allocation and expenditure of vocational rehabilitation funds.

(2) The responsibility for the functions described in paragraph (c)(1) of this section may not be delegated to any other agency or individual.

34 CFR 361.28 provide that:

(a) The designated State unit may enter into a third-party cooperative arrangement for providing or administering [VR] services with another State agency or a local public agency that is furnishing part or all of the non-Federal share, if the designated State unit ensures that—

(1) The services provided by the cooperating agency are not the customary or typical services provided by that agency but are new services that have a [VR] focus or existing services that have been modified, adapted, expanded, or reconfigured to have a [VR] focus;

(2) The services provided by the cooperating agency are only available to applicants for, or recipients of, services from the designated State unit;

(3) Program expenditures and staff providing services under the cooperative arrangement are under the administrative supervision of the designated State unit; and

(4) All State plan requirements, including a State's order of selection, will apply to all services provided under the cooperative program.

- (b) If a third party cooperative agreement does not comply with the statewideness requirement in §361.25, the State unit must obtain a waiver of statewideness, in accordance with §361.26.

34 CFR 80.20(a), in pertinent part, requires that:

- (a) A state must exp[en]d and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

34 CFR 80.40(a) requires that:

Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

Finding: During FYs 2005, 2006, 2007, 2008 and 2009, DVR and the Department of Human Services, Division of Mental Health (DMH), a public agency, entered into an intra-agency agreement to operate the Mental Health Supported Employment Project, which enhances employment opportunities for individuals with chronic mental illness (see description of program in DVR's FY 2011 VR State plan, Attachment 4.8(b)(1)). The Memorandum of Understanding (MOU) between DVR and DMH provides "funding to local mental health centers and other providers to make available supported employment services to those clients who are deemed in need of such services" (MOU, June 17, 2008, p. 1). DVR enters into separate agreements with each of the 15 mental health centers (MHCs) – private entities -- to provide the services at the local level. The MOU requires collaborative planning and coordination of services by the local MHCs and DVR to eliminate duplication of services and maximize available resources (FY 2011 State plan, Attachment 4.11(e)(2)). Services under the project consist of job coaching, placement, and on-going support to eligible DVR consumers in all but two areas of the State.

DVR counselors and supervisors provide orientation and training sessions for the MHC staff across the State and work in partnership with those MHC staff providing services to DVR consumers under the Mental Health Supported Employment Project (FY 2011 State Plan, Attachment 4.8(b)(1)). The DVR counselors and consumers are responsible for determining which services are needed and for developing the IPE for each consumer participating in the project (FY 2011 State plan, Attachment 4.8(b)(4)).

During onsite monitoring, RSA discussed with DVR the authority under which DVR entered into the agreement with DMH to fund MHCs to provide these services. DVR informed RSA that the MOU is a third-party cooperative arrangement that generates non-Federal match for the VR program. This information is consistent with the characterization of the project in DVR's FY 2011 State plan (Attachment 4.8(b)(4)). DMH provides non-Federal funds via an intra-agency

transfer to DVR to cover the non-Federal share of allowable VR expenditures under the MOU; DVR uses VR funds to cover the Federal share of allowable expenditures under the MOU. For the period July 1, 2007 through June 30, 2008, the total amount awarded to MHCs to serve an estimated 250 consumers under the MOU was \$970,585 (*Id.*).

According to the MOU, DVR is to “provide equal monthly payments [to MH Centers] in order to stabilize fiscal management, which will result in increased services to clients. Programs that receive funding under this MOU will receive 1/12th payment for the total amount of award each month...” (MOU, June 17, 2008, p. 8). The awards to the MHCs are based on available dollars from the state funding sources as recommended by a Selection Committee. According to the MOU, this ensures DVR and DMH are able to fully award all available dollars to the MHCs. The MOU lists the award amounts, including the amounts paid by DVR (Federal share) and DMH (non-Federal share). The MOU between DVR and DMH serves as the authority for the payment of funds to the MHCs. Each MHC submits a Letter of Request to DVR for services to be procured under the MOU. The MHCs have Provider Agreements that list the specific services to be provided. However, the services are billed monthly using a Mental Health Supported Employment Program Monthly Billing Form.. The billing form requires the MHC to certify a list of eligible consumers that received services in accordance with the MOU. The list of eligible consumers contains the individual’s first name, last name, social security number, and status code.

The MOU between DVR and DMH for the Mental Health Supported Employment Project raises several legal concerns, especially in regard to the authority for the MOU and the lack of statewidehood. DVR claims that the MOU is a third-party cooperative arrangement. As such, the MOU must satisfy the requirements at 34 CFR 361.28. In particular, a third-party cooperative arrangement is one that is established between DVR and another public agency that would provide VR services as well as contribute non-Federal funds toward DVR’s match requirement under the VR program. The services must not be the typical services generally provided by that cooperating agency (34 CFR 361.28(a)(1)). The services must be provided solely to DVR consumers and applicants (34 CFR 361.28(a)(2)). DVR must retain supervisory control over the staff providing the services and the expenditures under the agreement (34 CFR 361.28(a)(3)). The cooperating agency must adhere to all VR requirements, including order of selection, if applicable (34 CFR 361.28(a)(4)). Finally, the cooperating agency must provide the services in all areas of the State; if not, DVR must seek a waiver of statewidehood from RSA (34 CFR 361.28(b)).

In this case, the MHCs – the service providers under the project – are private entities and would not be eligible to enter into a third-party cooperative arrangement with DVR, pursuant to 34 CFR 361.28(a). On the other hand, DMH is a public agency and would be eligible to enter into a third-party cooperative arrangement with DVR (34 CFR 361.28(a)). As the public cooperating agency, DMH is required to provide the services specified in the third-party cooperative arrangement or, at a minimum, arrange for another entity to provide the services on its behalf (*Id.*). However, DMH is neither providing the services nor directly arranging, via contracts, with the MHCs to provide the services on its behalf. Instead, according to the information DVR provided to RSA, DMH simply funnels the non-Federal portion of the funds to DVR via an intra-agency transfer, and DVR, in turn, contracts with the MHCs to provide the services. DVR

awards both the Federal VR share and the non-Federal share (transferred by DMH to DVR) to the MHCs directly. Therefore, the MOU fails to satisfy the requirement of 34 CFR 361.28(a) that the public cooperating agency provide the services. Furthermore, there was no evidence presented to RSA that demonstrates that DVR retains supervisory control over the MHC staff providing the services and the expenditures incurred by the MHCs, as required by 34 CFR 361.28(a)(3). According to the information RSA reviewed, the VR counselors work cooperatively with the MHC staff and decide which services the individual would receive; but there was no evidence presented that DVR supervises the MHC staff. In addition, the documentation provided to RSA indicates that DVR is not responsible for determining how much VR funds are awarded to the MHCs. That decision is made by a Selection Committee, pursuant to the terms of the MOU. Finally, the MHCs do not provide services, pursuant to the MOU, in all areas of the State, as required by 34 CFR 361.28(b). There are two areas of the State not served by MHCs under the MOU. While onsite, RSA was informed that individuals in those two areas of the State, not covered by the MOU, are not eligible to receive services under the MOU in another area of the State. DVR has not sought a waiver of the statewide requirement pursuant to 34 CFR 361.26 (*Id.*). Therefore, DVR has failed to satisfy the requirements of 34 CFR 361.28 with regard to the MOU with DMH. Given the deficiencies of the third-party cooperative arrangement, DVR may not use non-Federal funds provided by DMH under the MOU – as a third-party cooperative arrangement -- for match purposes under the VR program until the deficiencies are corrected.

As mentioned above, RSA is concerned whether DVR has the requisite authority to determine how much VR funds are allocated to the MHCs under the MOU and whether DVR has administrative supervision authority over the expenditures under the third-party cooperative arrangements. From the information that DVR provided to RSA while onsite, the MOU determines which MHCs will receive funds and how much funds they will be awarded. These decisions are determined by a Selection Committee – not DVR – and are based on the state funds available to DMH for such programs. RSA requested, to no avail, more specific information about the composition of the Selection Committee and its decision-making procedures, especially in terms of the VR funds awarded to the MHCs and the expenditures incurred under the MOU. Regardless of whether DVR provides services directly or pursuant to a third-party cooperative arrangement, DVR must retain sole responsibility for the allocation and expenditure of VR funds (34 CFR 361.13(c)(1)(iv)). This requirement is reiterated in the context of a third-party cooperative arrangement at 34 CFR 361.28(a)(3). Furthermore, there was no indication that DVR monitors the expenditures incurred by the MHCs under the MOU or their level of performance, as it would be required to do pursuant to 34 CFR 80.40(a). RSA will need further information to determine the level of DVR's compliance with these requirements.

Corrective Actions 2: DVR must:

- 2.1 Submit an assurance within 10 days of the final monitoring report that DVR will comply with the requirements for a third-party cooperative arrangement (34 CFR 361.28); that DVR will retain responsibility for the allocation and expenditure of VR funds and the other non-delegable functions, as required by 34 CFR 361.13(c); that DVR will monitor all grant-supported activities, including the Mental Health Supported Employment

Project, as required by 34 CFR 80.40(a); and that the services provided by the MHCs are available statewide.

2.2 Revise the MOU that authorizes and implements the third-party cooperative arrangement between DVR and DMH to operate the Mental Health Supported Employment Project to correct deficiencies in accordance with the requirements of 34 CFR 361.28. In particular, DVR must:

- A. ensure that DMH, as the public cooperating agency, provides the VR services under the MOU, or at least enters into an agreement with the MHCs itself to provide the services on its behalf, as required by 34 CFR 361.28(a);
- B. cease its direct contractual relationships with the MHCs for the provision of services under the MOU since DMH is responsible for providing the services under the third-party cooperative arrangement, pursuant to 34 CFR 361.28(a);
- C. ensure that it retains supervisory control over the MHC staff providing the services and the expenditures incurred pursuant to the third-party cooperative arrangement, as required by 34 CFR 361.28(a)(3);
- D. revise the MOU to ensure DVR is responsible for monitoring all grant supported activities, including the Mental Health Supported Employment Project, as required by 34 CFR 80.40(a).

2.3 Submit a spreadsheet that contains the amount of non-federal match provided by DMH to DVR under the MOU for FFYs 2005-2009.

2.5 Submit a spreadsheet that contains the amount of Federal VR funds provided to the MHCs by DVR under the MOU for FFYs 2005-2009.

3. Personnel Certification

Legal Requirement:

34 CFR 361.12 states:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 80.20(a) states:

- (a) A State must exp[en]d and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State... must be sufficient to:
 - (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

2 CFR part 225 (formerly known as OMB Circular A-87), Appendix B, paragraph 8.h.3 states:

8.h.3 Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Finding: DVR is not in compliance with 34 CFR 361.12, 34 CFR 80.20(a), and 2 CFR part 225, Appendix B, paragraph 8.h.3, because the agency has not conducted periodic certifications for employees working solely on one federal grant program or cost objective.

As a recipient of VR funds, DVR is required to administer the program properly and efficiently (34 CFR 361.12 and 34 CFR 80.20(a)). It must ensure that VR funds are properly accounted for and that accurate data are collected and reported (*Id.*). In ensuring the proper administration of the VR program and accountability of VR funds, DVR must be able to document the time its staff spend on the VR program. Federal cost principles set forth requirements for ensuring the proper accounting of staff time, both for staff working full-time on one program and for staff splitting their time on multiple programs. In particular, 2 CFR part 225, Appendix B, paragraph 8.h.3, requires DVR employees or their supervisors to certify, at least semi-annually, that the employee worked solely on one grant program during the period covered by the certification.

While onsite, RSA found that DVR relies on its Employee Planning and Evaluation Process to satisfy the semi-annual personnel certification requirement. However, the performance evaluations do not contain the required content necessary to meet the personnel certification requirement of 2 CFR part 225, Appendix B, paragraph 8.h.3. The agency's performance management system consists of a rating of each employee's job performance based upon specific competency areas; however, the performance ratings do not address the amount of time an employee has worked for a particular program. There is no certification that the employee worked solely on the VR program for the period covered by the performance appraisal. Given this failure to ensure that the staff's time is certified at least twice a year, DVR has failed to comply with 2 CFR part 225, Appendix B, paragraph 8.h.3. In failing to comply with this certification requirement, DVR also has failed to comply with 34 CFR 361.12 and 34 CFR 80.20(a), because DVR cannot ensure that the VR program has been administered properly and efficiently or that VR funds have been expended solely on VR allowable personnel costs.

Corrective Action 3: DVR must:

- 3.1 Submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with staff certification requirements set forth at 2 CFR part 225, Appendix B, paragraph 8.h.3; and
- 3.2 Develop and submit policies and procedures to ensure that, at a minimum, semi-annual certifications are completed for all employees working solely on one federal grant program, or cost objective, to comply with the requirement in 2 CFR part 225, Appendix B, paragraph 8.h.3.

4. Internal Controls

Legal Requirements:

34 CFR 361.12 requires that:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under [the VR program]. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 80.20(a), in pertinent part, requires that:

(a) A state must exp[en]d and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

34 CFR 80.24(b)(6), in pertinent part, requires:

Records. Costs...counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantee or cost-type contractors....

Finding: DVR is not in compliance with 34 CFR 361.12, 34 CFR 80.20(a), and 34 CFR 80.24(b)(6), because DVR failed to ensure that VR funds were used properly and efficiently and only for allowable VR expenditures.

As a recipient of VR funds, DVR is required to administer the program properly and efficiently (34 CFR 361.12 and 34 CFR 80.20(a)). It must ensure that VR funds are properly accounted for and that accurate data are collected and reported (*Id.*). DVR must ensure that VR funds are spent solely on the provision of VR services and the administration of the VR program (34 CFR 361.3). The Federal cost principles require that Federal funds be spent on allowable and allocable costs. To be allowable, costs must be necessary and reasonable for carrying out the program (2 CFR part 225, Appendix A, C.1.a). To be allocable to the program, the cost must be proportional to the benefit received by the Federal program (2 CFR part 225, Appendix A, C.3.a). Finally, DVR must ensure that costs used for match purposes under the VR program are verifiable from the records maintained by DVR and its contractors (34 CFR 80.24(b)(6)).

In FY 2006, DVR entered into a contract with the Front Range Community College (FRCC) to provide a “multi-agency collaborative with an active case management system that works with DVR customers to maximize opportunities for success while at FRCC” (Interagency Contract, p. 2). The period covered in the contract was for FYs 2006, 2007, 2008 and 2009. The Report of Transactions, upon which DVR made payments to FRCC, contained many handwritten corrections. However, there were no accompanying notes or supporting documentation to indicate the reason for the corrections, the person making the corrections, and the date the

corrections were made. Without this documentation, DVR cannot ensure it is using Federal funds efficiently and properly so that all VR funds can be traced solely to allowable expenditures, as required by 34 CFR 361.12 and 34 CFR 80.20(a). As such, DVR cannot ensure that the funds were sent solely on allowable VR expenditures, as required by 34 CFR 361.3 and 2 CFR part 225, Appendix A. Furthermore, to the extent that any of the unexplained handwritten corrections affected the amount of non-Federal funds used for match purposes under the VR program, DVR has failed to comply with 34 CFR 80.24(b)(6), because DVR cannot ensure that the records verify accurately the amount of match provided by FRCC.

Corrective Action 4: DVR must:

- 4.1 Submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will implement internal controls sufficient to ensure the validity of expenditures under the VR program as required by 34 CFR 361.3, 34 CFR 361.12, 34 CFR 80.20(a)(2), and 34 CFR 80.24(b)(6), and the Federal cost principles at 2 CFR part 225; and
- 4.2 Develop and implement policies/procedures to ensure that:
 - A. Verifiable supporting documentation is available for expenditures satisfying a cost sharing or matching requirement;
 - B. Fiscal controls permit the tracking of expenditures necessary to ensure that the funds are not used in violation of restrictions and prohibitions of applicable statutes; and
 - C. Internal controls are in place to ensure that all program assets are maintained and accounted for, and used solely for authorized purposes.

5. Internal Controls, Fiscal Management, and Monitoring - Colorado Independent Living Core Services

Legal Requirements:

34 CFR 364.34 requires that:

In addition to complying with applicable EDGAR fiscal and accounting requirements, the State plan must include satisfactory assurances that all recipients of financial assistance under parts B and C of chapter 1 of title VII of the Act will adopt those fiscal control and fund accounting procedures as may be necessary to ensure the proper disbursement of and accounting for those funds.

34 CFR 364.35 requires that:

In addition to complying with applicable EDGAR recordkeeping requirements, the State plan must include satisfactory assurances that all recipients of financial assistance under parts B and C of chapter 1 of title VII of the Act will maintain –

Records that fully disclose and document –

- (1) The amount and disposition by the recipient of that financial assistance;
- (2) The total cost of the project or undertaking in connection with which the financial assistance is given or used;
- (3) The amount of that portion of the cost of the project or undertaking supplied by other sources; and
- (4) Compliance with the requirements of chapter 1 of title VII of the Act and this part; and

- (b) Other records that the Secretary determines to be appropriate to facilitate an effective audit.

34 CFR 80.20(a) states:

- (a) A State must exp[en]d and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

34 CFR 80.4 states:

“Subgrant” means an award of financial assistance in the form of money, or property in lieu of money, made under a grant by a grantee to an eligible subgrantee. The term includes financial assistance when provided by contractual legal agreement, but does not include procurement purchases, nor does it include any form of assistance which is excluded from the definition of “grant” in this part.

“Subgrantee” means the government or other legal entity to which a subgrant is awarded and which is accountable to the grantee for the use of the funds provided.

34 CFR 80.21(c) states:

Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

34 CFR 80.21(h)(2)(i) in pertinent part states:

. . . [G]rantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may keep interest amounts up to \$100.00 per year for administrative expenses.

34 CFR 80.40(a) states:

Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee fiscal monitoring must cover each program function and activity.

Background:

The Colorado Division of Vocational Rehabilitation (DVR) administers the Colorado Independent Living Core Services (CILCS) program. CILCS is funded by a combination of State and Title VII, Part B funds and administered according to a State regulation 9.218, which applies to both State and Part B funds. Colorado regulation gives the responsibility to make

adjustments to the allocation or expenditure of the Part B funds to the Independent Living Allocation Committee, on which the DSU participates.

According to State rule 9.218.2, “the allocation for each center shall be based on two components:

- A. Component 1: a fixed amount that is the same for each center.
- B. Component 2: an amount that may vary for each center based on the four core services and the professional judgment of the SILC and the provider association. It is further the intent to provide the most support to centers that have the fewest resources to use for the provision of core independent living services.”

The amount of funds allocated for Component 1 equals the amount of State General funds divided by the number of centers that apply for funding. The amount to be allocated for Component 2 “shall be equal to funds allocated to the State of Colorado from the federal government under Part B of the Act.”

DVR contracts with the centers to administer the funds in accordance with the state regulation. The contract states that the amount billed monthly by the centers must be equal to 1/12 of the total CILS contract amount. “If the number of consumers served per month, considered at the reimbursement rate of \$250 each, falls significantly below 1/12 of the contract total, a review of the center may be required for continued payment.”

Findings: DVR is not in compliance with 34 CFR 364.34, 364.35 and 34 CFR 80.20(a), 80.21(c), 80.21(h)(2)(i), and 80.40(a) because it does not have the internal controls, financial management mechanisms, and monitoring procedures in place to demonstrate that it and its subgrantees – the centers for independent living (CILs) – are in compliance with Federal requirements. Although DVR may make arrangements with CILs to pay them Part B funds monthly on a 1/12 basis or \$250/consumer, DVR must have sufficient information from the CILs to know that the funds are being used for allowable expenses and in a timely manner, and if not used promptly, that the funds are deposited in an interest-bearing account and interest is remitted to the Federal government. The billing reports that are submitted by the CILs to DVR only list how many consumers are served and the category of IL service provided to the consumers. There is no information regarding the actual service provided or how much the CIL expended to provide the service. Specifically, RSA found the following:

- A. DVR is not in compliance with 34 CFR 364.34, 364.35, and 80.20(a) because there is no process for ensuring that grant funds provided to the centers are being used only for the allowable costs of the center. The percentage of Part B funds each center receives is set by Colorado regulation and the regulation requires the centers to be reimbursed monthly at a flat rate per consumer or 1/12 of the yearly contracted amount. The centers using the per consumer rate provide DVR a monthly total count of consumers (consumer names are not included). Regardless of the IL services provided or the actual cost to the center, payment may be made at a rate of \$250.00 per consumer per month. The contract price structure is listed as “cost reimbursement” on the contract document; however, DVR has no supporting documentation that the \$250.00 rate or the 1/12 monthly reimbursement is based upon the actual cost of providing the IL services. As a result, DVR is unable to

verify that the funds paid to the centers are equal to the cost of providing the services and that any payments made were not used in violation of applicable statutes. DVR must implement fiscal controls to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. It is critical that DVR has procedures for assessing whether the expenditures of Part B funds made by the centers are consistent with Federal requirements, particularly whether they are allowable costs.

- B. DVR is not in compliance with 34 CFR 80.21(c) and 34 CFR 80.21(h)(2)(i) because DVR does not require the CILs to provide sufficient information in their reports for DVR to ascertain whether all the charges are to reimburse allowable costs already incurred. DVR may pay the CILs in advance, but the CILs need to maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the CIL. DVR has not shown RSA that the CILs have such procedures or the ability to maintain such procedures.
- C. DVR cannot tell from the CILs' monthly billing reports whether any of the Part B funds paid to the CILs are in excess of the amount actually incurred during the past month. Any Federal funds paid to the centers in excess of the amount required to provide services are not tracked to ensure the reimbursement of interest earned in excess of \$100.00 per year. When DVR reimburses a center under the 1/12 amount or the per consumer amount, any funds in excess of the amounts required to provide the services would be considered an advance payment toward future services to be provided. In accordance with 34 CFR 80.21(h)(2)(i), grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may keep interest up to \$100.00 per year for administrative expenses. DVR must have a process to report and track the interest subgrantees may earn on advance Federal funds and, when required, ensure excess interest is returned to DVR.
- D. DVR is not in compliance with 34 CFR 80.40(a) because DVR does not sufficiently monitor the centers to ensure compliance with applicable Federal requirements – fiscal and programmatic. While section 713 of the Rehabilitation Act of 1973, as amended, permits States to use Part B funds to “support the operation of centers for independent living that are in compliance with the standards and assurances set forth in subsections (b) and (c) of section 725,” federal regulations at 34 CFR 80.40(a) require the state to monitor subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. DVR does not have procedures to address a center that does not meet the standards and indicators or program requirements of section 725 of the Act. DVR is responsible for monitoring to ensure that program and performance goals are met.

Corrective Action 5: DVR must:

- 5.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will implement internal controls sufficient to ensure the validity of expenditures under the IL-B program as required by 34 CFR 364.34 and 364.35 and 34 CFR 80.20(a)(2) and that DVR will monitor all grant-supported activities, as required by 34 CFR 80.40(a), to ensure that DVR uses IL funds to pay only those expenditures that are allowable under and allocable to the IL program;

5.2 develop and implement policies/procedures to ensure that:

- A. fiscal controls permit the tracking of expenditures necessary to ensure that the funds are used for allowable costs and not used in violation of restrictions and prohibitions of applicable statutes in accordance with 34 CFR 80.20(a);
- B. performance and program goals are met, as required by 34 CFR 80.40(a);
- C. the CILs maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the CIL as required by 34 CFR 80.21(c);
- D. cash advances to the CILs are reported and tracked to ensure any interest subgrantees earn in excess of \$100.00 per year is returned to the Federal government, as required by 34 CFR 80.21(h)(2)(i); and
- E. DVR monitors all grant-supported activities, as required by 34 CFR 80.40(a).

Technical Assistance

This section of the chapter describes the technical assistance (TA) provided by RSA to DVR during the course of the review. The TA requested by the agency to enable it to carry out the corrective actions set forth above is included in Appendix A of this report titled “Agency Response.”

Technical Assistance Provided

To enable the agency to improve its fiscal management processes, RSA provided technical assistance to DVR during the review process regarding:

- Third-party cooperative arrangement requirements;
- Allowable sources of non-Federal match; and
- Personnel Activity reporting requirements.

APPENDIX A: CDVR RESPONSE

Chapter 1: DVR Vocational Rehabilitation and Supported Employment Programs

VR and SE Performance Observations and Recommendations

1. VR Performance and Quality Outcomes

Recommendation 1: RSA recommends that DVR:

- 1.1 develop and implement performance targets that measure the quality of employment outcomes, and incorporate these measures into the agency's program-wide quality assurance practices;
- 1.2 identify and implement strategies to assist individuals to pursue career-level employment opportunities; and
- 1.3 take advantage of the relatively high number of federal employment opportunities in Colorado by implementing the strategic initiative all ready under development by DVR to assist individuals pursuing vocational goals compatible with these opportunities.

Agency Response: CDVR agrees with Recommendation 1 and will explore strategies to improve the overall quality of employment outcomes and to incorporate quality outcome measures into the agency's quality assurance process. CDVR has already implemented 1.3 and is beginning to see some success in the placement of its clients in federal careers.

Technical Assistance: CDVR does not request TA.

2. Transition Services

Recommendation 2: RSA recommends that DVR:

- 2.1 evaluate the reasons behind the low number of transition-age youths receiving post-secondary education and training;
- 2.2 assess whether SWAP is contributing to the low numbers of transition-age youths in post-secondary education;
- 2.3 develop and implement a strategy for increasing the number of transition-age youths who receive post-secondary education and training; and
- 2.4 utilize the new case management system to improve the collection and analysis of SWAP performance data on a statewide basis in order to fully assess the success of SWAP services.

Agency Response:

- 2.1 CDVR is requesting clarification from RSA in the identification of the data element(s) used by RSA to determine that a "low" number of transition-age youth are receiving post-secondary education.

- 2.2 CDVR is committed to the provision of vocational rehabilitation services in a systematic and purposeful manner which results in all individuals, including those referred for SWAP consideration, being afforded the opportunity to make informed choices in their selection of an employment outcome, services, and service providers. Annual training will continue to be provided to both CDVR staff members and SWAP service providers regarding CDVR's commitment to and value of the importance of service delivery that assures that SWAP service recipients are able to make informed choices.
- 2.3 If clarification from RSA regarding the data elements supports the finding that the number of youth receiving post-secondary training is lower than it should be, CDVR agrees to this recommendation and will refine and strengthen strategies used to assure that all service recipients are making fully informed choices.
- 2.4 CDVR agrees with this recommendation and is eager to utilize its new case management system to collect data that will enable CDVR to more clearly identify the success of SWAP service delivery to recipients.

3. Attrition

Recommendation 3: RSA recommends that DVR:

- 3.1 evaluate the caseloads of VR counselors who participated in the training of motivational techniques and those who did not to assess the effect of the training on the number of individuals exiting the VR program as applicants, after their eligibility is determined but before the IPEs are developed and without employment after receiving services and the reasons for which they exit;
- 3.2 conduct surveys of individuals who exit the VR program as applicants, after eligibility is determined but before their IPEs are developed and without employment after receiving services to better understand the reasons why these individuals are withdrawing from the program; and
- 3.3 based on the data and information obtained through the evaluation of the effect of the motivational training and the survey, develop goals with measurable targets to decrease the number of individuals leaving the program at these stages of the process, and strategies to achieve these goals.

Agency Response: CDVR agrees that it is beneficial to continue to research, identify, evaluate and implement appropriate strategies to increase and maximize consumer engagement in all stages of the rehabilitation process, thereby reducing the number of individuals who leave programming prior to achieving their employment goals. Regarding the 3.1 Recommendation, all CDVR supervisors and the vast majority of rehabilitation counselors have now received both foundational and advanced training in the use of cognitive motivational tools to keep consumers effectively moving toward their identified employment goals, so a control group of those who have not been trained will not be possible. CDVR will continue to gather and analyze

information related to reasons consumers exit the system and develop strategies to mitigate and/or remove the barriers for full participation to completion.

Technical Assistance: CDVR requests TA related to successful strategies employed by other states in addressing similar issues of attrition.

Chapter 2: DVR Independent Living Program

IL Program Performance Observations and Recommendations

1. IL Roles, Responsibilities and Collaboration

Recommendation 1: RSA recommends that the DSU, SILC and CILs conduct trainings on the legally defined aspects and responsibilities of the IL community, with particular focus on areas that describe each party's roles and responsibilities with respect to specific activities.

Agency Response: CDVR agrees with Recommendation 1.

Technical Assistance: CDVR requests technical assistance in addressing the recommendation related to the Independent Living Program.

2. RFP Process for Part B Funds

Recommendation 2: RSA recommends that where appropriate DVR utilize past performance in evaluating future CILCS applications. DVR may wish to replicate practices used in its OIB program application process.

Agency Response: CDVR will revise state regulations and processes in order to more effectively evaluate applications, provide IL services and obtain qualitative data necessary to monitor program performance.

Technical Assistance: CDVR requests technical assistance in addressing the recommendation related to the Independent Living Program.

Chapter 3: Independent Living Services Program for Older Individuals Who Are Blind

OIB Program Performance Observations and Recommendations

1. Referrals

Recommendation 1: RSA recommends that DVR evaluate practices around the collection of OIB referral data and identify steps that can be taken to increase accuracy of this data.

Agency Response: CDVR will work with OIB vendors to identify more accurate and specific referral information.

Technical Assistance: DVR does not request TA.

Chapter 4: Fiscal Management of the DVR Vocational Rehabilitation, Supported Employment, Independent Living and Independent Living Services for Older Individuals Who Are Blind programs Fiscal Management Compliance Findings and Corrective Actions

1. Third Party Cooperative Arrangement – School to Work Alliance Program (SWAP)

Corrective Action 1: DVR must:

- 1.1 cease using Federal VR funds to pay the BOCES more than is necessary to operate the SWAP. The contract total should reflect the total amount needed to operate the SWAP. Of that total, the BOCES must pay a portion of the non-Federal share, pursuant to 34 CFR 361.28(a), and VR funds may only be used for the balance of the contract amount;
- 1.2 cease counting non-Federal funds from the BOCES toward satisfying the match requirement under the VR program when those non-Federal funds are not used to pay at least a portion of the total expenditures for the SWAP, pursuant to 34 CFR 361.28(a);
- 1.3 revise the SWAP contracts with each of the BOCES to ensure that the contract amount does not exceed the cost to run the SWAP program, and that Federal VR funds are not used to pay more than the agreed upon Federal share of the total allowable expenditures to run the SWAP. The revised contract must require the BOCES to pay at least a portion of the non-Federal share of the total contract costs, and the contract terms must set forth the monitoring responsibilities of DVR;
- 1.4 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that: 1) VR funds will not be used to pay more than the Federal share of the cost to run the SWAP; 2) VR funds will be used solely for allowable and allocable expenditures; 3) non-Federal funds will not be used for match purposes under the VR program when those funds were not used to cover at least a portion of the total allowable expenditures; and 4) grant-supported activities, including the SWAP will be monitored to ensure compliance, as required by section 111(a)(1) of the Rehabilitation Act, 34 CFR 361.3, 34 CFR 361.12, 34 CFR 361.28, 34 CFR 361.60(b), 34 CFR 80.20(a), 34 CFR 80.24(a), 34 CFR 80.40(a) and the cost principles set forth at 2 CFR part 225, Appendix A;
- 1.5 submit the following to RSA:
 - A. a spreadsheet, covering FYs 2005 through 2010, that outlines: 1) the total contract amount for each of the SWAP contracts for each of the BOCES; 2) the amount that each of the BOCES reported in the request for continuation of funds that it would cost to run the SWAP program in each of those years; 3) the amount paid by the BOCES with non-Federal funds under the SWAP contracts for each of those years; and 4) the amount of Federal VR funds DVR paid under the SWAP contracts for each of those years;
 - B. the yearly amount of non-Federal funds paid by the BOCES, during FYs 2005 through 2010, that DVR counted towards satisfying its match requirement under the VR program but that were not used to pay at least a portion of the costs to run the SWAP program; and

- C. a spreadsheet for FYs 2005 through 2010 detailing the amount of costs paid under the SWAP contracts to cover SWAP-related operating costs versus those paid under the contracts to cover the BOCES' general operating costs; and
- 1.6 provide copies of the revised SWAP contracts and requests for continuation funds to ensure completion of this corrective action

Agency Response: CDVR contends that **Corrective Action 1, 1.1** is based on incomplete information and does not reflect what actually takes place with CDVR's SWAP agreements. In fact, CDVR does not use federal VR funds to pay the BOCES more than is necessary to operate SWAP. CDVR acknowledges that the annual Request for Continuation Funds (RCF) and third party contract templates, as presented to the RSA monitoring team, must be improved to make it clear that the contracts reflect the total amount needed to operate SWAP and that the entire contract amount is spent on SWAP-related expenses, as is indicated should be the case on page 42 of the RSA Draft Monitoring Report. Additionally, CDVR agrees that it is necessary for the contracts to clearly reflect that the BOCES must pay a portion of the non-Federal share and that CDVR will use federal VR dollars to pay the balance of the contractual amounts.

To this end, CDVR is working to address the issues identified by RSA. CDVR now requires that each RCF and contract for SWAP services include a budget that clearly identifies allowable and reimbursable costs, as identified in OMB Circular A-87 (revised). Additionally, CDVR is working with the Colorado Department of Education to develop training for BOCES and school district accountants. Training will address the development and monitoring of SWAP budgets, the identification of allowable and non-allowable expenditures, and the tracking and documentation of allowable SWAP expenditures. CDVR currently provides intensive programmatic monitoring of SWAP contracts, and will expand monitoring to include sound fiscal monitoring that assures the amount paid through the contract is used to pay SWAP costs. Finally, CDVR plans to eliminate the payment of fixed monthly costs within the SWAP contracts, and instead will pay the cost of operating SWAP to BOCES and school districts on a reimbursement basis.

CDVR contends that **Corrective Action 1, 1.2** is also based on incomplete information. CDVR does not count non-Federal funds from the BOCES toward satisfying the match requirement when those funds are not used to pay at least a portion of the total expenditures for SWAP. As in **Corrective Action 1, 1.1**, CDVR agrees that SWAP Requests for Continuation (RCF) and contracts must be improved to make it clear that the total contract amount is spent on SWAP-related expenses, as indicated should be the case on page 42 of the RSA Draft Monitoring Report.

CDVR agrees with RSA's **Corrective Action 1, 1.3**: The SWAP contracts should be revised to clearly indicate that the contract amount does not exceed the cost to run the SWAP; and that Federal VR funds are not used to pay more than the Federal share of the total allowable cost to run SWAP. The revised contract will clearly indicate that the BOCES must pay a portion of the non-federal share of the contract costs, and the contract terms will set forth the monitoring responsibilities of CDVR.

CDVR agrees with **Corrective Action 1, 1.4** and will submit a written assurance to RSA as indicated in this Action.

CDVR agrees with **Corrective Action 1, 1.5** and will submit the spreadsheet as requested by RSA.

CDVR agrees with **Corrective Action 1, 1.6** and will submit a copy of the revised SWAP contract and Request for Continuation Funds (RCF) to RSA.

RSA response: RSA acknowledges and appreciates the steps that DVR has taken, and that it indicates it will take, to resolve the finding and address the corrective actions. Nonetheless, although CDVR's response states that Corrective Action 1.1 is based on incomplete information and that it does not use federal VR funds to pay the BOCEs more than is necessary to operate SWAP, CDVR does not have supporting documentation demonstrating that the total contract costs paid to BOCEs were directly related to the cost of providing VR services to eligible VR consumers. Given the absence of supporting documentation, the lack of specific contract language, and the issues regarding the continuation of funds request as described in the finding, the corrective actions remain unchanged.

Technical Assistance: DVR does not request technical assistance.

2. Third-Party Cooperative Arrangement – Mental Health Supported Employment Project

Corrective Action 2: DVR must:

- 2.1 submit an assurance within 10 days of the final monitoring report that DVR will comply with the requirements for a third-party cooperative arrangement (34 CFR 361.28); that DVR will retain responsibility for the allocation and expenditure of VR funds and the other non-delegable functions, as required by 34 CFR 361.13(c); and that DVR will monitor all grant-supported activities, including the Mental Health Supported Employment Project, as required by 34 CFR 80.40(a);
- 2.2 revise the MOU that authorizes and implements the third-party cooperative arrangement between DVR and DMH to operate the Mental Health Supported Employment Project to correct deficiencies in accordance with the requirements of 34 CFR 361.28. In particular, DVR must:
 - A. ensure that DMH, as the public cooperating agency, provides the VR services under the MOU, or at least enters into an agreement with the MHCs itself to provide the services on its behalf, as required by 34 CFR 361.28(a);
 - B. cease its direct contractual relationships with the MHCs for the provision of services under the MOU since DMH is responsible for providing the services under the third-party cooperative arrangement, pursuant to 34 CFR 361.28(a);
 - C. ensure that it retains supervisory control over the MHC staff providing the services and the expenditures incurred pursuant to the third-party cooperative arrangement, as required by 34 CFR 361.28(a)(3);

- D. revise the MOU to ensure DVR is responsible for monitoring all grant supported activities, including the Mental Health Supported Employment Project, as required by 34 CFR 80.40(a);
- 2.3 ensure that the services provided through these third-party cooperative arrangements are provided statewide in accordance with 34 CFR 361.25 and 361.28;
- 2.4 submit a spreadsheet that contains the amount of non-federal match provided by DMH to DVR under the MOU for FFYs 2005-2009.
- 2.5 Submit a spreadsheet that contains the amount of Federal VR funds provided to the MHCs by DVR under the MOU for FFYs 2005-2009

Agency Response:

- 2.1 CDVR agrees with Corrective Action 2.1 and will assure that should the Mental Health Supported Employment Project continue as a third-party cooperative arrangement, it will comply with all requirements under 34 CFR 361.28, 34 CFR 361.13(c), and 34 CFR 80.40(a). However, CDVR also agrees with the finding that this project fails to satisfy the requirements of a third-party cooperative arrangement. The match provided by DMH is not from “another public agency” but rather an internal transfer of funds within CDHS, the Designated State Agency. CDVR considers these agreements to be contracts with community rehabilitation programs (CRPs) for the provision of VR Services. CDVR will revise its contracts with the MHCs to ensure that the funds are only being spent on VR services, using a line item budget and reimbursement for the actual costs of providing these services.
- 2.2 CDVR agrees with Corrective Action 2.2 and will revise its MOU with DMH concerning the internal transfer of matching funds, so that DMH understands that CDVR retains fiscal control of the matching funds, supervisory control over the MHC staff providing the services and the expenditures incurred pursuant to the contracts, and that CDVR is responsible for monitoring all grant supported activities.
- 2.3 CDVR agrees with Corrective Action 2.4 and will submit a spreadsheet that contains the amount of non-federal match provided by DMH to DVR for FFYs 2005-2009.
- 2.5 CDVR agrees with Corrective Action 2.5 and will submit a spreadsheet that contains the amount of Federal VR funds provided to the MHCs by DVR for FFYs 2005-2009.

RSA response:

In the draft finding, RSA indicated that DVR had informed RSA on-site, and in the documentation provided prior to the on-site visit, that the agency was entering into these agreements with DMH pursuant to the authority to enter into third-party cooperative arrangements (34 CFR 361.28). In response, DVR claims these arrangements are an intra-agency transfer - not a third-party cooperative arrangement.

To be an allowable expenditure for match purposes, the expenditures must be for an expenditure under the VR state plan (34 CFR 361.60(b)(1)). In other words, it must be for a VR service, as that term is defined at 34 CFR 361.5(b)(58), or an administrative cost, as that term is defined at 34 CFR 361.5(b)(2) (34 CFR 361.3). To be an allowable expenditure under the VR state plan,

all VR program requirements must be satisfied. This would include the requirements governing eligibility determinations, provision of services and expenditure and allocation of funds. The services also would be required to be available statewide in accordance with 34 CFR 361.25, as must all VR services unless the agency is eligible to request a waiver pursuant to 34 CFR 361.26.

As an intra-agency transfer, DMH transfers non-Federal funds to DVR to cover a portion of the costs of this collaborative program. DVR then uses the non-Federal funds as well as Federal VR funds to award contracts with local mental health centers to provide employment-related services to DVR consumers with mental illness.

Transfers of non-Federal funds from other State agencies are permissible sources of match under the VR program provided all VR program requirements are satisfied. The facts provided by DVR assure that funds received from DMH, via intra-agency transfer, are used to: 1) serve only those individuals who are eligible under the VR program, pursuant to 34 CFR 361.42; and 2) provide only allowable VR services, pursuant to 34 CFR 361.48.

The intra-agency MOU with DMH references a “Selection Committee” that determines the amount of funding to be provided to the MHCs. According to information provided by DVR, the Selection Committee does not meet or operate in a functional capacity. The language contained in the intra-agency MOU must ensure that DVR remains solely responsible for the allocation of those funds under the contracts as required by 34 CFR 361.13(c). In order for an inter- or intra-agency transfer to be an allowable source of match, DVR must retain sole responsibility for the allocation and expenditure of those funds.

As mentioned above, to be an allowable source of match, services must be available statewide. In order to receive a waiver of statewideness under 34 CFR 361.26, the non-Federal funds used for match purposes must be provided by a local public agency in the local areas providing the particular service (34 CFR 361.26(a)(1)). Because, under this intra-agency transfer with DMH, the non-federal match is provided by a public state agency, and not a local public agency, CDVR cannot request a waiver of statewideness related to those two areas of Colorado in which the services are not available and the non-federal funds received from DMH are not an allowable source of match. To be an allowable source of match, the services provided by the MHCs using the non-federal funds through the intra-agency transfer from DMH must be made available statewide. In addition, DVR must also remain solely responsible for the expenditure and allocation of the funds under the arrangement.

Alternatively, should DVR choose to provide the services under the arrangements with DMH and the MHCs pursuant to a VR agency’s authority to establish third-party cooperative arrangements, it must again ensure that the services are made available statewide (34 CFR 361.28(b)). DVR cannot request a waiver from this requirement because DMH, a public state agency, is providing the non-federal match; the MHCs are local private agencies and, thus, cannot provide the non-federal match under 34 CFR 361.28(a) or request the waiver of statewideness. To comply with all requirements of 34 CFR 361.25, 361.26 and 361.28, DVR must ensure that the services are made available statewide. Corrective action 2 has been revised to reflect this requirement.

Whichever mechanism DVR chooses to use to provide services and obtain non-federal match through its arrangement with DMH, either via intra-agency transfer or third-party cooperative agreements, it must:

1. submit an assurance within 10 days of the final monitoring report that DVR will retain responsibility for the allocation and expenditure of VR funds and the other non-delegable functions, as required by 34 CFR 361.13(c); that DVR will monitor all grant-supported activities, including the Mental Health Supported Employment Project, as required by 34 CFR 80.40(a); and ensure that VR services provided through the DMH MOU are available statewide as required by 34 CFR 361.25.
2. Revise the MOU that authorizes and implements the MOU between DVR and DMH to operate the Mental Health Supported Employment Project to ensure DVR remains solely responsible for the expenditure and allocation of funds under the arrangement (34 CFR 361.13(c) and the services are available to consumers statewide (34 CFR 361.25).
3. Submit a spreadsheet that contains the amount of non-federal match provided by DMH to DVR under the MOU for FFYs 2005-2009.
4. Submit a spreadsheet that contains the amount of Federal VR funds provided to the MHCs by DVR under the MOU for FFYs 2005-2009

Technical Assistance: DVR does not request TA.

3. Personnel Certification

Corrective Action 3: DVR must:

- 3.1 Submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with staff certification requirements set forth at 2 CFR part 225, Appendix B, paragraph 8.h.3; and
- 3.2 Develop and submit policies and procedures to ensure that, at a minimum, semi-annual certifications are completed for all employees working solely on one federal grant program, or cost objective, to comply with the requirement in 2 CFR part 225, Appendix B, paragraph 8.h.3.

Agency Response: CDVR agrees with RSA's finding regarding personnel certification and has already completed this corrective action to ensure that all CDVR staff attest to the amount of time spent working on the federal grant program. Since April, 2010, all CDVR employees who are paid with federal vocational rehabilitation dollars are required to sign a "Certification of Time for Vocational Rehabilitation Grant" form twice a year, coinciding with interim and final performance reviews that indicates their work time for the past six months has been spent solely working on the federal VR program.

Technical Assistance: DVR does not request TA.

4. Internal Controls

Corrective Action 4: DVR must:

- 4.1 Submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will implement internal controls sufficient to ensure the validity of expenditures under the VR program as required by 34 CFR 361.3, 34 CFR 361.12, 34 CFR 80.20(a)(2), and 34 CFR 80.24(b)(6), and the Federal cost principles at 2 CFR part 225; and
- 4.2 Develop and implement policies/procedures to ensure that:
 - A. Verifiable supporting documentation is available for expenditures satisfying a cost sharing or matching requirement;
 - B. Fiscal controls permit the tracking of expenditures necessary to ensure that the funds are not used in violation of restrictions and prohibitions of applicable statutes; and
 - C. Internal controls are in place to ensure that all program assets are maintained and accounted for, and used solely for authorized purposes.

Agency Response: CDVR agrees with the findings in 4.1 and 4.2 related to FRCC.

Technical Assistance: DVR does not request TA.

5. Internal Controls, Fiscal Management, and Monitoring - Colorado Independent Living Core Services

Corrective Action 5: DVR must:

- 5.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will implement internal controls sufficient to ensure the validity of expenditures under the IL-B program as required by 34 CFR 364.34 and 364.35 and 34 CFR 80.20(a)(2) and that DVR will monitor all grant-supported activities, as required by 34 CFR 80.40(a), to ensure that DVR uses IL funds to pay only those expenditures that are allowable under and allocable to the IL program;
- 5.2 develop and implement policies/procedures to ensure that:
 - A. fiscal controls permit the tracking of expenditures necessary to ensure that the funds are used for allowable costs and not used in violation of restrictions and prohibitions of applicable statutes in accordance with 34 CFR 80.20(a);
 - B. performance and program goals are met, as required by 34 CFR 80.40(a);
 - C. the CILs maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the CIL as required by 34 CFR 80.21(c);
 - D. cash advances to the CILs are reported and tracked to ensure any interest sub grantees earn in excess of \$100.00 per year is returned to the Federal government, as required by 34 CFR 80.21(h)(2)(i); and
 - E. DVR monitors all grant-supported activities, as required by 34 CFR 80.40(a).

Agency Response:

- 5.1 CDVR agrees with Corrective Action 5.1 and will submit written assurance that it will implement internal controls sufficient to ensure the validity of expenditures under the IL-B program as required by federal regulations, and that it will monitor all grant-supported activities to ensure that CDVR uses IL funds to pay only those expenditures that are allowable under and allocable to the IL program.
- 5.2 CDVR agrees with Corrective Action 5.2 and will develop and implement policies/procedures to ensure that fiscal controls permit the tracking of expenditures necessary to ensure that the funds are used for allowable costs. CDVR will establish performance and program goals and ensure they are met. CDVR will revise state regulations and contracts with the CILs in order to comply with federal regulations. CDVR does not provide cash advances to the CILs.

Technical Assistance: CDVR requests technical assistance in addressing the findings related to the Independent Living Program.

APPENDIX B: EXPLANATIONS OF DATA TABLES

VR and SE Program Highlights

- Total funds expended on VR and SE – RSA-2 line 1.4
- Individuals whose cases were closed with employment outcomes - RSA-113 line D1
- Individuals whose cases were closed without employment outcomes - RSA-113 line D2
- Total number of individuals whose cases were closed after receiving services – RSA-113 line D1+D2
- Employment rate – RSA-113 line D1 divided by sum of RSA-113 line D1+D2, multiplied by 100
- Individuals whose cases were closed with SE outcomes – Total number of individuals whose employment status at closure (record position 161) = 7 in the RSA-911 report
- New applicants per million state population – RSA-113 line A2 divided by the result of the estimated state population divided by 1 million. The estimated state population is found on the following website: <http://www.census.gov/popest/states/NST-ann-est.html>
- Average cost per employment outcome – Sum of individuals' cost of purchased services from the RSA-911 (record position 104-109) for individuals who achieved an employment outcome (record position 198 = 3) divided by the total number of these individuals
- Average cost per unsuccessful employment outcome – Sum of individuals' cost of purchased services from the RSA-911 (record position 104-109) for individuals who did not achieve an employment outcome (record position 198 = 4) divided by the total number of these individuals
- Average hourly earnings for competitive employment outcomes - Sum of individuals' weekly earnings at closure (record position 163-166) divided by the total hours worked in a week at closure (record position 167-168) for individuals where weekly earnings at closure > 0, where the type of closure (record position 198) = 3, and where competitive employment (record position 162) = 1
- Average state hourly earnings – Using the most relevant available data from the Bureau of Labor Statistics Report (<http://www.bls.gov>), state average annual earnings divided by 2,080 hours

- Percent average hourly earnings for competitive employment outcomes to state average hourly earnings – Average hourly earnings for competitive employment outcomes (above) divided by the Average state hourly earnings (above) multiplied by 100
- Average hours worked per week for competitive employment outcomes - Average hours worked in a week at closure (record position 167-168) for individuals where weekly earnings at closure (record position 163-166) > 0 and where the type of closure (record position 198) = 3 and competitive employment (record position 162) = 1
- Percent of transition age served to total served – Total number of individuals whose age at application is 14-24 and whose type of closure (record position 198) is 3 or 4 divided by all individuals of any age whose type of closure (record position 198) is 3 or 4
- Employment rate for transition population served – Total number of individuals whose age at application is 14-24 and whose type of closure (record position 198) = 3 divided by the number of individuals whose age at application is 14-24 and whose type of closure (record position 198) is 3 or 4 multiplied, the result of which is multiplied by 100
- Average time between application and closure (in months) for individuals with competitive employment outcomes - Average of individuals date of closure (record position 201-208) minus date of application (record position 15-22) in months where type of closure (record position 198) = 3 and competitive employment (record position 162) = 1
- Standard 1 – To achieve successful performance on Evaluation Standard 1 the DSU must meet or exceed the performance levels established for four of the six performance indicators in the evaluation standard, including meeting or exceeding the performance levels for two of the three primary indicators (Performance Indicators 1.3, 1.4, and 1.5).
- Standard 2 – To achieve successful performance on Evaluation Standard 2, the DSU must meet or exceed the performance level established for Performance Indicator 2.1 (.80) or if a DSU's performance does not meet or exceed the performance level required for Performance Indicator 2.1, or if fewer than 100 individuals from a minority population have exited the VR program during the reporting period, the DSU must describe the policies it has adopted or will adopt and the steps it has taken or will take to ensure that individuals with disabilities from minority backgrounds have equal access to VR services.

IL Program Highlights (From RSA 704 report)

- Title VII, Chapter 1, Part B Funds – Subpart I, Administrative Data, Section A, Item 1(A)
- Total Resources (including Part B funds) – Subpart I, Administrative Data, Section A, Item 4
- Total Served - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section A(3)

- Total Consumer Service Records Closed - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section B(6)
- Cases Closed - Completed All Goals - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section B(4)
- Total Goals Set - Subpart III, Section B, Item 1, sum of (A) + (B) + (C) + (D) + (E) + (F) + (G) + (H) + (I) + (J) + (K) + (L)
- Total Goals Met - Subpart III, Section B, Item 1, sum of (A) + (B) + (C) + (D) + (E) + (F) + (G) + (H) + (I) + (J) + (K) + (L)
- Total individuals accessing previously unavailable transportation, health care, and assistive technology - Subpart III, Section B, Item 2, sum of (A) + (B) + (C)
- Total FTEs - Subpart I, Section F, sum of Item 2 for the column
- Total FTEs with Disabilities - Subpart I, Section F, sum of Item 2 for the column

OIB Program Highlights (From RSA 7-OB Form)

- Title VII, Chapter 2, Expenditures - Part I-Sources and Amounts of Funding, (A)(1)
- Total Expenditures (including Chapter 2) - Part I-Sources and Amounts of Funding, (A)(6)
- Total Served Older Individuals who are Blind - Part III-Data on Individuals Served During This Fiscal Year, (B)-Gender, sum of (1) + (2)
- Total FTEs - Part II-Staffing, sum of (1) + (2) + (3) + (4) for the column
- Total FTEs with Disabilities - Part II-Staffing, sum of (1) + (2) + (3) + (4) for the column

APPENDIX C: EXPLANATIONS APPLICABLE TO FISCAL PROFILE TABLES 4.1-4.3

Grant Amount:

The amounts shown represent the final award for each fiscal year, and reflect any adjustments for MOE penalties, reductions for grant funds voluntarily relinquished through the reallocation process, or additional grant funds received through the reallocation process.

Match (Non-Federal Expenditures):

The non-federal share of expenditures in the Basic Support Program, other than for the construction of a facility related to a community rehabilitation program, was established in the 1992 amendments to the Rehabilitation Act at 21.3 percent. As such, a *minimum* of 21.3 percent of the total allowable program costs charged to each year's grant must come from non-federal expenditures from allowable sources as defined in program and administrative regulations governing the VR Program. (34 CFR 361.60(a) and (b); 34 CFR 80.24)

In reviewing compliance with this requirement, RSA examined the appropriateness of the sources of funds used as match in the VR program, the amount of funds used as match from appropriate sources, and the projected amount of state appropriated funds available for match in each federal fiscal year. RSA also reviewed the accuracy of expenditure information previously reported in financial and program reports submitted to RSA.

Carryover:

Federal funds appropriated for a fiscal year remain available for obligation in the succeeding fiscal year only to the extent that the VR agency met the matching requirement for those federal funds by September 30 of the year of appropriation (34 CFR 361.64(b)). Either expending or obligating the non-federal share of program expenditures by this deadline may meet this carryover requirement.

In reviewing compliance with the carryover requirement, RSA examined documentation supporting expenditure and unliquidated obligation information previously reported to RSA to substantiate the extent to which the state was entitled to use any federal funds remaining at the end of the fiscal year for which the funds were appropriated.

Program Income:

Program income means gross income received by the state that is directly generated by an activity supported under a federal grant program. Sources of state VR program income include, but are not limited to, payments from the Social Security Administration for rehabilitating Social Security beneficiaries, payments received from workers' compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals, and income generated

by a state-operated community rehabilitation program. Program income earned (received) in one fiscal year can be carried over and obligated in the following fiscal year regardless of whether the agency carries over federal grant funds. Grantees may also transfer program income received from the Social Security Administration for rehabilitating Social Security beneficiaries to other formula programs funded under the Act to expand services under these programs.

In reviewing program income, RSA analyzed the total amount (as compared to the total percentage of income earned by all VR agencies and comparable/like VR agencies), sources and use of generated income.

Maintenance of Effort (MOE):

The 1992 amendments revised the requirements in section 111(a)(2)(B)(ii) of the Act with respect to maintenance of effort provisions. Effective federal FY 1993 and each federal fiscal year thereafter, the maintenance of effort level is based on state expenditures under the title I State plan from non-federal sources for the federal fiscal year two years earlier. States must meet this prior year expenditure level to avoid monetary sanctions outlined in 34 CFR 361.62(a)(1). The match and maintenance of effort requirements are two separate requirements. Each must be met by the state.

In reviewing compliance with this requirement, RSA examined documentation supporting fiscal year-end and final non-federal expenditures previously reported for each grant year.

Administrative Costs:

Administrative costs means expenditures incurred in the performance of administrative functions including expenses related to program planning, development, monitoring and evaluation. Details related to expenditures that should be classified as administrative costs are found in VR Program regulations at 34 CFR 361.5(b)(2).

APPENDIX D: DVR MONITORING TABLES

Expenditures by Category Fiscal Years 2004-2008

Colorado Division of Vocational Rehabilitation Expenditures	2004	2005	2006	2007	2008
Total	\$33,914,035	\$35,239,465	\$44,227,641	\$58,296,861	\$55,004,063
Administration percentage	10.88%	11.51%	13.89%	13.71%	10.54%
Counseling	\$9,718,705	\$10,676,490	\$11,961,983	\$13,363,957	\$12,483,561
Counseling percentage	28.66%	30.30%	27.05%	22.92%	22.70%
Other Services	\$1,392,502	\$1,066,789	\$1,103,526	\$1,421,314	\$1,476,003
Other services percentage	4.11%	3.03%	2.50%	2.44%	2.68%
Purchased Services	\$18,167,070	\$18,578,769	\$23,975,629	\$32,832,255	\$33,912,983
Purchased services percentage	53.57%	52.72%	54.21%	56.32%	61.66%
Services to groups	\$945,567	\$859,822	\$1,041,729	\$2,688,746	\$1,335,645
Services to groups percentage	2.79%	2.44%	2.36%	4.61%	2.43%

Source: RSA-2 as displayed on RSAMIS Quick Table 0021-D

Purchased Services Provided FY 2004-2008

Colorado Division of Vocational Rehabilitation Services Provided	2004	2005	2006	2007	2008
Total	19,559,572	19,645,558	25,079,155	33,542,395	34,597,142
Total percentage	100.00%	100.00%	100.00%	100.00%	100.00%
Assessment (purchased only)	1,762,760	1,707,363	2,013,881	2,971,187	3,011,571
Assessment (purchased only) percentage	9.01%	8.69%	8.03%	8.86%	8.70%
Physical and mental impairments	1,681,263	2,053,318	2,927,828	4,547,705	5,981,953
Physical and mental impairments percentage	8.60%	10.45%	11.67%	13.56%	17.29%
Training	5,582,389	5,255,031	6,820,307	10,378,113	11,066,814
Training percentage	28.54%	26.75%	27.20%	30.94%	31.99%
Maintenance	211,203	223,006	298,373	353,377	513,548
Maintenance percentage	1.08%	1.14%	1.19%	1.05%	1.48%
Transportation	404,389	514,652	670,160	845,527	982,311
Transportation percentage	2.07%	2.62%	2.67%	2.52%	2.84%
Personal assistance services	264,243	251,749	307,099	372,992	373,597
Personal assistance services percentage	1.35%	1.28%	1.22%	1.11%	1.08%
Placement (purchased only)	7,286,707	7,430,270	9,267,902	11,208,395	9,329,544
Placement (purchased only) percentage	37.25%	37.82%	36.95%	33.42%	26.97%
All Other Services	2,366,618	2,210,169	2,773,605	2,865,099	3,337,804
All Other Services percentage	12.10%	11.25%	11.06%	8.54%	9.65%

Source: RSA-2 as displayed on RSAMIS Quick Table 0022-D